Annual report 2022

ISS Global A/S

Buddingevej 197
DK – 2860 Søborg
Denmark
Tel.: +45 38 17 00 00
Fax: +45 38 17 00 11
www.issworld.com
CVR 21 40 83 95

Annual report
1 January – 31 December 2022

Approved at the annual general meeting
On 18 April 2023

Bjørn Raasteen
Chair of the annual general meeting

Content[1)]

[1)] Management review comprises ISS at a glance, our performance, Our business and Our governance

2022 Sustainability Report

Our 2022 Sustainability Report of the ISS A/S Group as per section 99a and 107d of the Danish Financial Statements Act is available here: https://brand.issworld.com/m/32c9943bd0e4b015/original/Sustainability-Report-2022.pdf

2022 Remuneration Report

Our remuneration policy is described in our 2022 Remuneration Report which is available here: https://brand.issworld.com/m/123d6df360418716/original/Remuneration-Report_2022.pdf

ISS Global A/S

– an integral part of the ISS A/S Group

ISS Global A/S is an indirectly, wholly owned subsidiary of ISS A/S, a leading, global provider of workplace and facility service solutions, listed on Nasdaq Copenhagen. ISS Global A/S owns – directly or indirectly – the ISS Group's operating companies (together referred to as "ISS", "the Group" or "the ISS Global Group"). ISS Global A/S operates as the ISS Group's internal bank and therefore holds the majority of the ISS Group's external funding.

As part of its financing function ISS Global has entered into the Euro Medium Term Programme (EMTN Programme) whereunder the ISS Global A/S Group may from time to time issue notes to raise funding. Notes under the programme have been admitted to trading on the Luxembourg Stock Exchange's regulated market. The aggregated nominal amount of Notes outstanding will not at any time exceed €3.000.000.000. No updates to the EMTN programme have occurred in 2022.

ISS Global A/S is an integral part of the ISS A/S Group. Thus, operating, financing and investing activities are managed for the ISS A/S Group as a whole, rather than specifically for the ISS Global Group.

The management team of the ISS Global Group formally consists of the Board of Directors and the Managing Director of ISS Global A/S. Since ISS Global A/S has no operating activities independently of the ISS A/S Group, the ISS Global Group relies on the management team of ISS A/S, which is considered the ISS Global Group's key management personnel.

Due to this structure, the sections OneISS strategy, Sustainability, Company of Belonging, Our business risks, Corporate governance and Our governance structure of the Management review, pp. 16–31, are described in the context of the ISS A/S Group.

Key figures

Financials	2022[1)]	2021	2020	2019[2)]	2018
Results (DKKm)					
Revenue	76,558	71,383	70,767	77,715	73,623
Operating profit before other items, excl. IAS 29	*3,769*	*2,920*	*(2,501)*	*3,829*	*4,260*
Operating profit before other items	3,740	2,920	(2,501)	3,829	4,260
Operating profit	2,475	1,628	(4,899)	2,059	1,998
Financial expenses, net	(318)	(573)	(549)	(695)	(583)
Net profit from continuing operations	1,796	496	(5,262)	798	980
Net profit from discontinued operations	159	110	46	(46)	(886)
Net profit	1,955	606	(5,216)	752	94
Cash flow (DKKm)					
Cash flow from operating activities	3,020	3,221	(886)	1,275	2,653
Acquisition of intangible assets and property, plant and equipment, net	(587)	(424)	(552)	(897)	(813)
Free cash flow, excl. IAS 29	*1,608*	*1,900*	*(2,143)*	*(264)*	*1,818*
Free cash flow	1,616	1,900	(2,143)	(264)	1,818
Financial position (DKKm)					
Total assets	43,564	40,357	40,134	42,945	42,719
Goodwill	15,853	15,063	15,093	16,513	16,237
Additions to property, plant and equipment	344	308	382	673	881
Equity	7,026	4,246	3,195	2,711	3,403
Net debt	8,050	9,816	12,345	17,274	12,701

Ratios	2022[1)]	2021	2020	2019[2)]	2018
Financial ratios					
Operating margin, excl. IAS 29	*4.9 %*	*4.1 %*	*(3.5)%*	*4.9 %*	*5.8 %*
Operating margin	4.9 %	4.1 %	(3.5)%	4.9 %	5.8 %
Equity ratio	16.1 %	10.5 %	8.0 %	6.3 %	8.0 %
Organic growth	7.8 %	2.0 %	(6.6)%	7.1 %	3.9 %
Acquisitions and divestments, net	(1.7)%	(0.5)%	(0.2)%	(2.2)%	(0.5)%
Currency adjustments	1.2 %	(0.6)%	(2.1)%	0.7 %	(3.4)%
Total revenue growth	7.3 %	0.9 %	(8.9)%	5.6 %	0.0 %

ESG	2022[1)]	2021	2020	2019[2)]	2018
Social data					
Full-time employees, %	77%	76%	75%	77%	76%
Employees end of period, number	350,793	354,394	378,724	470,806	485,676
Employees (average), number	352,540	362,554	434,664	483,296	485,682

1) Effective 1 January 2022, ISS Turkey was restated for hyperinflation in accordance with IAS 29, cf. 7.2, Hyperinflation in Turkey.
2) As of 1 January 2019, the Group implemented IFRS 16 using the retrospective approach. Comparative figures were not restated.

For definitions, see note 8.5, Definitions.

Outlook

Outlook 2023

ISS Global A/S is an indirectly, wholly owned subsidiary of ISS A/S and an integrated part of the ISS A/S Group.

In 2022, ISS took significant steps in executing the OneISS strategy. The financial turnaround targets were delivered as planned, the issues in the four defined hotspots were addressed, and revenue was recovered to above pre-Covid-19 level. The operational and financial improvements achieved in 2022 provide a solid foundation for continued progress in 2023.

The outlook for 2023 assumes that macroeconomic and geopolitical uncertainties remain high. ISS has robust operating processes and is well positioned to operate in this environment. The execution of the OneISS strategy will continue and enhance the operating model, strengthen competitiveness, and increase focus on growth initiatives. The outlook is excluding any effects of hyperinflation (IAS 29).

Organic growth

Organic growth is expected to be 4 – 6% for 2023 (2022: 7.8%). Growth will be driven by price increases to offset cost inflation as the tight management of inflation will be maintained. In addition, underlying volume growth from annualisation of the return-to-office trend and continued customer investments in workplaces and services are expected, as well as positive contribution from contract wins and expansions. A negative impact is expected from a lower level of projects and above-base work.

Operating margin

Operating margin is expected to be 5.0 – 5.5% (2022: 4.9%). The main drivers of the year-on-year increase are continued improvement in the previous hotspots; UK, France and on the Deutsche Telekom contract, positive impact from OneISS efficiencies and cost initiatives, as well as operating leverage from higher revenue.

Free cash flow

Free cash flow is expected to be around DKK 1.7 billion (2022: DKK 1.6 million). The increase will be driven by the expected higher operating profit before other items and the absence of payments related to restructuring projects initiated in 2020. Changes in working capital are expected to be negative driven by revenue growth and customer prepayments made in 2022, while capital expenditures are expected in line with depreciation and amortisation.

Outlook 2023 [2]	
Organic growth	4-6%
Operating margin[1]	5.0-5.5%
Free cash flow	Around DKK 1.7bn

Delivery on 2022 outlook	Annual report 2021	Interim report H1 2022	Annual report 2022
Organic growth	2.0%	Above 5.0%	7.8%
Operating margin[1]	4.1%	Above 4.75%	4.9%
Free cash flow	DKK 1.9bn	Above DKK 1.0bn	DKK 1.6bn

[1] Based on Operating profit before other items
[2] Excluding any impact from acquisitions and divestments completed subsequent to 28 February 2023 as well as currency translation effects.

Expected revenue impact from divestments, acquisitions and foreign exchange rates in 2023

Acquisitions and divestments completed by 28 February 2023 (including in 2022) are expected to have a positive impact on revenue growth in 2023 of around 0.5%-point.

Based on the current exchange rates, a negative impact on revenue growth of 2 – 3%-points[1] is expected in 2023 from the development of foreign exchange rates, excluding any effects of hyperinflation (IAS 29).

Delivery on 2022 outlook

As a result of the significant financial progress in 2022, we raised our outlook once and ended the full year in line with our revised guidance, as shown in the table above.

The outlook should be read in conjunction with "Forward-looking statements" on p. 128 and our exposure to risk, see Our business risks on pp. 24–26.

[1] The forecasted average exchange rates for the financial year 2023 are calculated using the realised average exchange rates for the first month of 2023 and the average forward exchange rates (as of 13 February 2023) for the remaining eleven months of 2023.

Group results

Despite a challenging macroeconomic environment, ISS improved its financial results during 2022. The recovery from Covid-19 continued and revenue was above the pre-Covid-19 level as the business benefited from return-to-office trends, customer's investments in upgrading workplaces and service offerings, and price increases implemented across the portfolio. The financial turnaround targets were achieved with improvements in the underperforming countries and contracts, predominately in the UK and on the Deutsche Telekom contract.

Group revenue

Group revenue in 2022 was DKK 76.6 billion, an increase of 7.3% compared with 2021. Organic growth was 7.8% and the impact from acquisitions and divestments, net was (1.7)%. Currency effects increased revenue by 1.2%, including the impact of hyperinflation in Turkey of 0.2%.

Organic growth accelerated throughout 2022 from 5% in Q1 to 9% in Q4, driven by return-to-office trends as Covid-19 restrictions were lifted, customers' investments in upgrading their workplaces and service offerings, and price increases. As a result, portfolio revenue grew organically by 10%.

Portfolio revenue development was positively impacted by return-to-office trends, particularly for the services that depend on workplace occupancy and especially food services. These service lines were also the ones being negatively affected by the Covid-19 pandemic. Revenue from food services increased by around 35%, mainly driven by more than 70% growth in the US where our food services offerings are predominantly office-based.

Hyperinflation in Turkey

Effective 1 January 2022, the Group has implemented IAS 29, Financial Reporting in Hyperinflationary Economies for its subsidiary in Turkey, as the cumulative three-year inflation rate in the country exceeded the threshold of 100% in February 2022.

The implementation of IAS 29 did not have a material impact on the Group's statement of profit or loss and cash flows, and consequently the impact on our three key KPIs was immaterial, i.e. organic growth (non-IFRS GAAP measure) and free cash flow were unchanged and operating margin decreased slightly by 5 bps.

Throughout this Annual Report, commentary on revenue and operating profit before other items is provided including and excluding the impact from IAS 29. However, commentary on items below Operating profit before other items, are only provided including the impact of IAS 29, unless otherwise stated. Outlook continues to be presented excluding the impact from IAS 29.

Please refer to 7.2, Hyperinflation in Turkey, for an overview of the implementation of IAS 29 and the impact on the consolidated financial statements.

Revenue

(DKKm)	2022	2021	Organic growth	Acq./ div.	Currency & other adj.	Revenue Growth
Northern Europe	28,694	27,675	4%	(0)%	0%	4%
Central & Southern Europe	24,692	23,585	8%	(0)%	(3)%	5%
Central & Southern Europe, excl IAS 29	*24,538*	*23,585*	*8%*	*(0)%*	*(4)%*	*4%*
Asia & Pacific	14,012	12,381	6%	(1)%	8%	13%
Americas	8,585	7,141	27%	(14)%	7%	20%
Other countries	606	626	(3)%	-	(0)%	(3)%
Corporate / eliminations	(31)	(25)	-	-	-	-
Group	**76,558**	**71,383**	**7.8%**	**(1.7)%**	**1.2%**	**7.3%**

Food services accounted for 13% of Group revenue in 2022 (2021: 11%). Furthermore, employees increasingly demanded flexibility and opportunities for remote working and customers responded by investing in upgrading workplaces and service offerings to create an environment suitable for the post-Covid-19 ways of working. In 2022, revenue was 3% higher than before the pandemic in 2019, excluding the impact of currency effects and acquisitions and divestments despite customers not being fully back to the offices.

Across the Group, price increases were implemented to mitigate impact of increasing cost inflation in line with the terms of contractual agreements with our customers. This had a positive contribution to organic growth of just below 3%-points, of which around 1.5%-points related to Turkey. This was partially offset by slightly negative organic growth impact from projects and above-base work of around 0.3%-points. The demand for projects and above-base revenue changed during the year, as declining revenue from Covid-19 related deep cleaning and disinfection services was almost offset by increased revenue related to traditional above-base services and project work.

All regions contributed positively to organic growth in 2022. The Americas region reported the highest organic growth at 27%, driven by new contract wins and the combined impact of return-to-office trends and the region's relatively higher exposure to office-based food services. During the year, the organic growth in the Asia-Pacific region improved due to higher activity level and new contracts wins, while the European regions reported solid organic growth.

Operating profit before other items

Operating profit before other items excluding the effect from hyperinflation amounted to DKK 3,769 million corresponding to an operating margin of 4.9% (2021: 4.1%). Including hyperinflation, operating profit before other items was DKK 3,740 million for an operating margin of 4.9%.

The improvement of the operating margin in 2022 was driven by the successful execution of the financial turnaround, which improved underperforming countries and contracts,
predominately the UK and the Deutsche Telekom contract. Furthermore, leverage from higher revenue impacted the operating margin positively. This was, however, partly offset by additional costs related to mobilisation of new contract wins and commercial investments, mainly in the US, and a higher-than-normal sickness rate in the year.

The cost base was adversely impacted by the increasing rates of inflation in 2022. ISS has strong and well-embedded processes in place, and inflation is managed tightly through price increases and operational efficiencies. As a result, the operating margin was generally unaffected by inflation. From a regional perspective, the margin improvement was most significant in the European regions. In Northern Europe, the improvement was fuelled by the turnaround in the UK, while the improvement on the Deutsche Telekom contract was the primary driver in the Central & Southern European region. The Asia & Pacific region also improved the operating margin, while the operating margin decreased slightly in Americas. Solid underlying operational improvements and leverage from higher revenue drove the development in Asia & Pacific, while additional mobilisation costs related to new contract wins and commercial investments were the main reasons for the slight margin decline in the Americas region.

As part of the OneISS strategy announcement in December 2020, we identified operational hotspots, i.e. the UK, France, and the contracts with Deutsche Telekom and Danish Defence. Together with general efficiencies, Covid-19 revenue recovery and execution of the financial turnaround related to the operational hotspots brought the run-rate operating margin above 4% at the end of 2022, as targeted.

In the UK, the strong strategic execution continued following country management changes in 2021, and the country's turnaround target of a low single-digit run-rate operating margin was achieved in Q1 2022.

Operating profit before other items

(DKKm)	2022		2021	
Northern Europe	1,519	5.3%	1,290	4.7%
Central & Southern Europe	1,079	4.4%	584	2.5%
Central & Southern Europe, excl IAS 29	*1,108*	*4.5%*	*584*	*2.5%*
Asia & Pacific	*882*	*6.3%*	735	5.9%
Americas	445	5.2%	393	5.5%
Other countries	27	4.5%	16	2.5%
Corporate / eliminations	(212)	-	(98)	-
Total	**3,740**	**4.9 %**	**2,920**	**4.1%**
Total, excl. Hyperinflation (IAS 29)	***3,769***	***4.9 %***	***2,920***	***4.1%***

The simplification and streamlining of the organisational structure in line with the OneISS blueprint had a positive impact on productivity and financial performance at both contract and country levels.

In France, the implementation of the planned restructuring programme was completed in 2022. However, the run-rate profitability was lower than anticipated, in part due to exposure to certain industry segments with slower than expected Covid-19 recovery and muted commercial momentum. In the second half of 2022, the organisation was strengthened with a new country manager who has recruited commercial and operational resources to execute an updated business improvement plan.

The execution of the comprehensive restructuring and gap closing programme for the Deutsche Telekom contract continued and the operational and financial performance improved accordingly. The operating margin improved throughout 2022 and reached the turnaround target of a breakeven level at the end of the year. The contract continues to be structurally challenging. Following an agreed dispute resolution mechanism, certain contractual disagreements are subject to arbitration proceedings initiated by ISS.

In Denmark, the contract with the Danish Defence was successfully exited during the first half of the year according to the agreement with the Danish Ministry of Defence Estate Agency. The transition was executed gradually with the last part of the contract being exited in May 2022.

Other income and expenses, net

Other income and expenses, net was an income of DKK 78 million (2021: income of DKK 456 million), mainly due to a gain on the divestment of a waste management business in Hong Kong and partly offset by recognition of a pension withdrawal liability arising from the divestment of Specialized Service in the US. In 2021, the net income was mainly due to a gain on the divestment of Kanal Services in Switzerland and Specialized Service in the US.

Operating profit

Operating profit was DKK 2,475 million (2021: DKK 1,628 million).

Financial income and expenses, net

Financial income and expenses, net was in 2022 an expense of DKK 318 million (2021: DKK 573 million) including adjustments from hyperinflation of DKK 148 million. The decrease was mainly a result of the hyperinflation adjustments in Turkey, and the premium in 2021 of DKK 90 million related to the repurchase of EUR 200 million of the total of EUR 500 million outstanding EMTN bonds maturing in 2024.

Income tax

Income tax was DKK 361 million (2021: DKK 559 million) for an effective tax rate of 16.7% (2021: 52.9%). The effective tax rate was impacted by release of valuation allowances on deferred tax assets and non-taxable gains on divestments.

Net profit from discontinued operations

Net profit from discontinued operations was DKK 159 million (2021: DKK 110 million), including a net gain of DKK 122 million mainly relating to the three countries divested in 2022, most significantly Taiwan and Portugal.

Net profit

Net profit was DKK 1,955 million (2021: DKK 606 million).

Subsequent events

On 6 February 2023, two earthquakes caused large scale devastation and loss of thousands of lives in Turkey and Syria. ISS is one of the largest private employers in Turkey and approximately 4,500 of our placemakers service workplaces for around 100 of our customers, including two hospitals, in the impacted areas of Turkey. Tragically, three of our placemakers were fatally injured, several are in medical treatment and even more suffered loss of immediate family members and housing. Our teams on the ground in Turkey have since the earthquakes focused on ensuring the safety and welfare of our people and customers who are facing unimaginable challenges and devastation.

ISS has not suffered material damage to its assets in Turkey. Furthermore, the impacted areas account for less than 1% of ISS's global activities and the vast majority of our customers' operations continue or will continue after repairs. Consequently, it is management's assessment that the earthquakes will not have a material impact on the results of the Group's operations and financial position in 2023.

Other than set out above or elsewhere in this Annual Report, we are not aware of events subsequent to 31 December 2022, which are expected to have a material impact on the Group's financial position.

Cash generation and free cash flow

Cash flow from operating activities

Cash flow from operating activities was DKK 3,020 million (2021: DKK 3,221 million), a decrease of DKK 201 million driven by changes in working capital.

Changes in working capital were an inflow of DKK 407 million (2021: DKK 1,039 million). Despite the higher revenue, changes in working capital were positive as the tight management of working capital was maintained. Increases in trade receivables were more than offset by prepayments from customers relating to 2023 and higher levels of trade payables, mainly related to the growth in food services where suppliers typically have longer payment terms. Utilisation of factoring increased slightly to DKK 1.3 billion (2021: DKK 1.1 billion) as a result of the higher revenue from key account customers, where invoices are eligible for factoring as per group policy.

Depreciation and amortisation was DKK 1,386 million (2021: DKK 1,565 million). Due to the pandemic, capital investments in 2021 and 2020 were lower reflecting the lower activity levels and therefore, in combination with optimisation of property needs, depreciation and amortisation was lower in 2022.

Changes in provisions, pensions and similar obligations were an outflow of DKK 665 million (2021: DKK 407 million), mainly due to payments related to restructuring projects initiated in 2020, defined benefit obligations and other provisions.

Income tax paid was an outflow of DKK 338 million (2021: DKK 443 million) equal to a cash tax rate of 15.7%.

Cash flow from investing activities

Cash flow from investing activities was a net outflow of DKK 356 million (2021: net inflow of DKK 235 million).

The divestment programme was successfully completed in 2022 and generated an inflow of DKK 587 million (2021: DKK 1,191 million) primarily related to divestment of the waste management business in Hong Kong and operations in Portugal.

Acquisition of businesses was an outflow of DKK 325 million (2021: DKK 526 million), primarily related to the acquisition of Livit FM Services AG in Switzerland. The acquisition enables ISS to expand and develop its service delivery to the real estate segment. Investments in intangible assets and property, plant and equipment, net, of DKK 588 million (2021: DKK 424 million) was equal to 0.8% (2021: 0.6%) of total revenue (including discontinued operations) and mainly reflected the increased activity level compared to the period during Covid-19.

Cash flow from financing activities

Cash flow from financing activities was a net outflow of DKK 855 million (2021: net outflow of DKK 2,994 million due to early redemption of outstanding bonds).

The cash outflow was predominately related to repayment of lease liabilities of DKK 850 million which was a slight decline compared with last year (2021: DKK 935 million).

Free cash flow

Free cash flow amounted to DKK 1,616 million (2021: DKK 1,900 million). The operating profit before other items improved, but the positive effect was largely offset by lower working capital inflow and additional outflow related to other provisions. Furthermore, the net effect of depreciation, amortisation and investments in intangible assets and property, plant and equipment and additions to right-of-use assets was neutral compared to an inflow in 2021.

Capital structure

The ISS Global Group is indirectly wholly owned by ISS A/S and is therefore part of the ISS A/S Group. Group Treasury manages financing activities and capital structure centrally for the ISS A/S Group as a whole. The ISS Global Group's financing activities and capital structure are not assessed independently of the ISS A/S Group.

In 2022, ISS A/S achieved its financial turnaround targets and the divestment programme was completed. This led to an improvement of the capital structure and liquidity reserves. The Group's liquidity reserves at 31 December 2022 of more than DKK 11 billion (2021: DKK 9.6 billion) are described in note 4.6 to the consolidated financial statements.

ISS has no material debt maturities until 2024 onwards. As part of our capital allocation policy, we are committed to maintaining an investment grade profile and ISS A/S currently holds corporate credit ratings of BBB-/Stable outlook assigned by S&P and Baa3/Stable outlook assigned by Moody's.

At 31 December 2022, net debt amounted to DKK 8.1 billion (2021: DKK 9.8 billion), a decrease of DKK 1.7 billion due to the strong free cash flow generation and proceeds from the divestment programme.

Equity

At 31 December 2022, equity was DKK 7,026 million (2021: DKK 4,245 million), equivalent to an equity ratio of 16.1% (2021: 10.5%). The increase was mainly a result of net profit of DKK 1,955 million and hyperinflation restatement of equity in Turkey at 1 January 2022 of DKK 814 million.

Commercial development

In 2022, the commercial momentum improved, and we benefitted from our strategic focus on engaging deeply with our customers. As such, we successfully extended all global key account contracts up for renewal, HPE, a large global pharmaceutical customer, and Danske Bank. We also extended and expanded several key account contracts and as a result, customer retention for 2022 was historical high reaching 94%, excluding the exit of the Danish Defence contract (93% incl. exit).

The pipeline of new businesses within our prioritised segments showed solid progress in 2022, and our enhanced and strengthened commercial process yielded results. This was exemplified by the win of a 5-year IFS contract with a major retailer in the US with revenue of around 1% of Group revenue, and the award of a new contract with a regional bank in Australia. In the beginning of 2023, we extended the contract with a major technology customer in the US and signed new partnership with a healthcare company. In 2022, commercial processes were more complex than pre-Covid-19, likely as the geopolitical and macroeconomic uncertainties delayed customer's long-term decisions. In the commercial processes, we are maintaining strong pricing discipline and are not accepting any uncapped inflation risk.

An important driver of the revenue development in 2022, was the gradual return-to-office seen globally due to Covid-19 restrictions being lifted. This mainly had a positive effect on services that were most severely affected by the pandemic, predominately food services. In parallel, customers increased investments in their workplaces to create an environment suitable for the post-Covid-19 way of working.

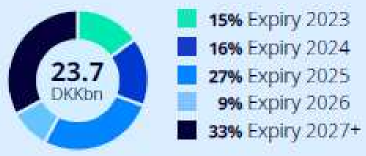
In 2022, revenue from key account customers comprised 71% of Group revenue (2021: 69%) and grew organically by 8.4%, which was better than the Group's organic growth, and thereby this segment contributed positively to the overall development.

Contract maturity

The majority of our key account contracts have initial terms of three to five years. A significant share of revenue is therefore up for renewal every year.

In 2022, revenue from large key accounts was DKK 23.7 billion, or 31% of Group revenue. Going into 2023, no large key accounts have been lost, but contracts revenue of DKK 3.1 billion (4% of Group) are up for renewal in 2023 (excl. signed renewals up until February 2023).

Maturity
– large key accounts (> 200 DKKm)



Developments in 2022[1]	Countries	Segment	Term	Effective
Wins				
Aviation Customer	Austria	Transportation & Infrastruct.	5.5 years	Q2 2022
Manufacturing Customer	Sweden/Belgium	Industry & Manufacturing	5 years	Q2 2022
Retail and Wholesale Customer	US & Canada	Retail and Wholesale	5 years	Q3 2022
PT Amman Mineral Nusa Tenggara	Indonesia	Energy & Resources	3 years	Q4 2022
Banking Customer	Australia	Business Services & IT	5 years	Q2 2023
Extensions/expansions				
Technology Customer	UK	Business Services & IT	1 year	Q1 2022
Pharmaceutical Customer	Spain	Pharmaceuticals	2 years	Q1 2022
Salling Group	Denmark	Retail and Wholesale	3 years	Q1 2022
Government Customer	UK	Public Administration	1.5 years	Q2 2022
Pharmaceutical Customer	Global	Pharmaceuticals	5 years	Q2 2022
Aviation Customer	Australia	Transportation & Infrastruct.	4 years	Q2 2022
Pharmeceutical Customer	Denmark	Pharmaceuticals	4 years	Q2 2022
Healthcare Customer	Singapore	Healthcare	5 years	Q2 2022
South London and Maudsley NHS Fdn. Trust	UK	Healthcare	2 years	Q2 2022
SingHealth Cluster	Singapore	Healthcare	3 years	Q2 2022
Victorian Dpt of Education and Training	Australia	Public Administration	1.5 years	Q3 2022
Danske Bank	Northern Europe	Business Services & IT	5 years	Q3 2022
Mining Service Customer	Australia	Energy & Resources	2 years	Q3 2022
National University Hospital	Singapore	Healthcare	3 years	Q3 2022
Banking Customer	UK	Business Services & IT	5 years	Q3 2022
Professional Services Customer	UK	Business Services & IT	1 year	Q4 2022
Public Administration Customer	Finland	Public Administration	5.5 years	Q4 2022
TSB Bank PLC	UK	Business Services & IT	7.5 years	Q4 2022
Energy Customer	Germany	Energy & Resources	5 years	Q1 2023
Healthcare Customer	UK	Healthcare	2 years	Q1 2023
Danish Crown A/S	Denmark	Food & Beverage	5 years	Q1 2023
Virgin Media 02	UK	Business Services & IT	5 years	Q1 2023
Technology Customer	US	Business Services & IT	3 years	Q1 2023
Pharmaceutical Customer	US	Pharmaceuticals	3 years	Q1 2023
Industry & Manufacturing Customer	APAC	Industry & Manufacturing	4 years	Q1 2023
Banking Customer	Mexico	Business Services & IT	3 years	Q1 2023
Exits/losses				
Aviation Customer	US	Transportation & Infrastruct.		Q1 2022
Retail and Wholesale Customer (Partly lost)	Chile	Retail and Wholesale		Q2 2022
Ministry of Defence	Singapore	Public Administration		Q4 2022

[1] Annual revenue above DKK 100 million.

Northern Europe

The market

ISS holds a market-leading position across the region where markets are generally mature, competitive and with a relatively high outsourcing rate. The largest country in the region is the UK, contributing around 34% of revenue. Key segments are Business Services & IT, Healthcare and Public Administration.

Financial update

Revenue increased to DKK 28,694 million in 2022 (2021: DKK 27,675 million). Organic growth was 4.0% and the effect from currency was neutral.

In 2022, the region was positively impacted by increased activity levels due to strong return-to-office trends, among others within food services where the region has a relatively large exposure. In addition, price increases implemented across the portfolio to offset the increasing cost inflation supported the growth, while the revenue from projects and above-base work declined mainly due to reduced demand for Covid-19 related deep cleaning and disinfection services.

The majority of countries generated positive growth, with several countries reporting double digit organic growth. Norway contributed significantly to the organic growth due to contract wins, customers returning to offices and increasing activity levels, especially within the Hotels segment. Belgium & Luxembourg and The Netherlands both delivered double digit organic growth, primarily driven by strong effects from return-to-office, high customer retention levels and a high level of project and above-base work in Belgium & Luxembourg. Organic growth was negative in Denmark due to the exit of the contract with the Danish Defence in May 2022 and in the UK mainly as a result of reduced above-base work.

Portfolio revenue grew organically by 6.7%, positively impacted by the continued return-to-office trends, price increases and contract wins, however partly offset by exit of the Danish Defence contract. Revenue from projects and above-base work declined by 5.4% and accounted for 20% (2021: 22%) of revenue for the region in 2022, due to the above-mentioned lower demand for Covid-19 services.

Commercially, our strategic focus on IFS and key account customers secured both new sales and extensions resulting in a continued improved customer retention rate. The majority of the large key accounts with expiry dates in 2022 were successfully extended and expanded. In addition, ISS was awarded and mobilised a new key account contract with a large manufacturing customer in Sweden. The commercial pipeline continues to be solid across the region.

Operating profit before other items was DKK 1,519 million (2021: DKK 1,290 million), for an operating margin of 5.3% (2021: 4.7%).

Across the region the leverage from higher revenue and solid cost control impacted the operating margin positively, while costs related to a higher than-normal sickness rate in the first half of the year and a lower level of projects and above-base work partly offset the positive margin development. The margin improvement was primarily driven by the UK, where strong execution of the financial turnaround improved the operating margin, and the turnaround target of a low-single digit run-rate margin was achieved already by the end of Q1 2022.

Central & Southern Europe

The market

Central and Southern Europe comprises a number of key markets, where we hold leading market positions, including Switzerland, Germany and Spain. Most of the markets are developed, but with significant differences in IFS market maturity and macroeconomic environment. Key customer segments are Business Services & IT, Industry & Manufacturing, Public Administration, Healthcare and Pharmaceuticals.

Financial update

Revenue increased to DKK 24,538 million in 2022 (2021: DKK 23,585 million). Organic growth was 7.9%, while currency effects impacted revenue negatively by 3.8%. The net impact from hyperinflation was 0.5%. Including the impact of hyperinflation, revenue amounted to DKK 24,692 million.

Organic growth for the region was positive throughout the year driven by price increases and contract wins and, to a limited extent, effects from return-to-office trends as the region has relatively lower exposure to food services.

The organic growth in the region was mainly driven by strong growth in Turkey both as result of price increases successfully implemented to offset the effects from high cost inflation and underlying growth in the healthcare segment. Austria, which accounts for 9% of the regions' revenue, reported double digit organic growth driven by start-up of contracts, primarily with Vienna Airport and additional key account customers.

Portfolio revenue grew organically by 9.3% and organic growth for projects and above-base work was 2.1% and accounted for 18% of the revenue in the region (2021: 24%). Demand for Covid-19 related disinfection and deep cleaning services declined throughout the year, but this development was more than offset by an increase in traditional project work.

Switzerland strengthened their market position with the acquisition of Livit FM Services AG. The acquisition will enable ISS to expand and develop its service delivery to the real estate industry segment, as Livit FM Services AG provides services for a large portfolio of Swiss Life properties in Switzerland. As part of the transaction, ISS Switzerland took over 670 employees and key account contracts within cleaning and technical services, representing around 0.5% of ISS Group revenue.

Operating profit before other items excluding the impact of hyperinflation was DKK 1,108 million (2021: DKK 584 million) corresponding to an operating margin before other items of 4.5% (2021: 2.5%). The main contribution to the improvement came from the execution of the comprehensive restructuring and gap closing programme for the Deutsche Telekom contract in Germany. At the end of 2022, the contract reached the turnaround target with a break-even run-rate margin. In France, the implementation of the planned restructuring programme was completed in 2022. However, the run-rate profitability was lower than anticipated, in part due to exposure to certain industry segments with slower than expected Covid-19 recovery and muted commercial momentum. In the second half of 2022, the organisation was strengthened with a new country manager who has recruited commercial and operational resources to execute an updated business improvement plan. Across the region, focus remained on return-to-office and the implementation of efficiency and cost reduction measures following Covid-19 which together with continued strong demand for projects and above-base work, impacted the operating margin positively. Including the effect of hyperinflation, operating profit before other items amounted to DKK 1,079 million, corresponding to a margin of 4.4%.

Asia & Pacific

The market

The region comprises a mix of developed markets such as Australia, Hong Kong and Singapore and developing markets, such as China, India and Indonesia. ISS has a strong presence in the region and holds a market-leading position in several countries. Key customer segments are Business Services & IT, Industry & Manufacturing, Transportation & Infrastructure, Healthcare, and Public Administration.

Financial update

Revenue increased to DKK 14,012 million in 2022 (2021: DKK 12,381 million). Organic growth was 6.3% (2021: 0.0%) and the effect from acquisitions and divestments, net was (1.0)%, while currency effects contributed positively by 7.9%.

Across the region, Covid-19 impacted the countries differently. Overall, organic growth was driven by increased activity levels from return-to-office trends as Covid-19 restrictions were gradually lifted during the year. The strongest growth was seen in India and in Australia due to customers returning to office and start up of new contract wins. The growth was particularly strong within the Transport and Infrastructure segment as air traffic picked up. In Hong Kong which saw much stricter Covid-19 restrictions, organic growth was driven by strong demand for deep cleaning and disinfection services and other above-base projects. However, the market for new business in these countries was generally slow due to market uncertainties. Price increases were implemented to offset the effects of cost inflation and had a positive impact across the region. Portfolio business grew organically by 8.5% while organic growth for projects and above-base work was negative at (4.0)%, and accounted for 16% (2021: 18%) of the revenue in the region.

During the year, the execution of the OneISS strategy made solid progress with continuing improvements in our commercial processes and the operating model. Improved commercial processes drove both contract wins and retention of contracts with existing customers. As such, despite the delays in some new business, we won a number of contracts in 2022. We also saw robust and improving customer retention rates, and we successfully retained and further expanded a number of key account contracts.

Operating profit before other items increased to DKK 882 million (2021: DKK 735 million), corresponding to an operating margin of 6.3% (2021: 5.9%). The improvement was driven by the general lifting of Covid-19 restrictions and solid underlying operational improvements across the region. Australia in particular benefitted from the higher activity level and operating leverage. The positive impact was partly offset by lower margin in Singapore due to contract losses and reduced government support schemes.

Americas

The market

The Americas consists of the mature North American market as well as Mexico and Chile. North America is the world's largest FM market, accounting for around 30% of the global outsourced FM market. Food services account for a significantly larger share of revenue than in other regions. Key customer segments are Business Services & IT, Industry & Manufacturing, Pharmaceuticals, Transportation & Infrastructure and Food & Beverage.

Financial update

Revenue increased to DKK 8,585 million in 2022 (2021: DKK 7,141 million). Organic growth was 26.5%, the effect from acquisitions and divestments, net was (13.8)%, while currency effects impacted growth positively by 7.0%.

In 2022, the organic growth was mainly driven by food services as customers returned to the offices. Revenue from food services increased more than 70% and accounted for around 35% of the region's revenue (2021: 23%) compared to 13% for the Group (2021: 11%). In addition, the mobilisation of contracts won during 2021 and 2022 contributed positively. Across the region, price increases were implemented to offset the effects of increasing cost inflation. Organic growth was highly positive in all quarters but slowed slightly down in Q4 reaching 21%, as Q4 2021 also benefitted from accelerated return-to-office activity.

The development across the region was strong with all countries reporting solid positive organic growth. Portfolio revenue increased organically by 29.2% driven by return-to-office within food services. Despite lower demand for deep cleaning and disinfection services, organic growth for projects and above-base work was 9.2%, due to generally higher levels of activity and was 12% of total revenue in the region.

The strategic focus on IFS and key account customers progressed and demand from key accounts was more robust and resilient compared to the rest of the customer base. Furthermore, across the entire region, there was a good commercial momentum. In June we were awarded a new five-year IFS contract with a large international retail customer, and the contract was gradually ramped-up in second half of 2022. In addition, several contract wins were recorded across the countries in the region.

Operating profit before other items was DKK 445 million (2021: 393 DKK million) for an operating margin of 5.2% (2021: 5.5%). The decrease in operating margin was mainly driven by investments in the commercial model to support the strong development, additional costs related to start-up and mobilisation of contract wins in the US and a lower revenue from margin enhancing Covid-19 related deep cleaning and disinfection services. The negative effects were partly offset by employee tax credits under the US Employee Retention Credit scheme and timing effects in the second half of the year. The strong revenue recovery in food delivered broadly the same margin compared to last year as most contracts were renegotiated to cost plus commercial models during Covid-19. Besides the US, Mexico and Chile delivered solid operating margins supported by contract wins and non-portfolio revenue.

OneISS strategy

In 2022, we delivered on our turnaround targets and our strategic journey is progressing to a new phase of strong growth at sustainable and attractive margins.

Our strategic ambition is to become the global leader in Integrated Facility Services (IFS) and to drive our bespoke value propositions towards key accounts in three prioritised segments, i.e. Office-based, Production-based and Healthcare, and to maintain our stronghold as #1 globally in cleaning. Our IFS offering is focused on four core services, i.e. Cleaning, Technical, Food and Workplace, that are critical to IFS contracts.

We continue to see strong demand for IFS. Key account customers are consolidating their supply chains to focus on their core business and they need a strategic partner to drive user experience, efficiency and consistency with solutions that are sustainable and compliant across their portfolio of workplaces. Consequently, we expect demand for integrated service contracts will continue to outgrow the general FM market.

To address this growth opportunity and become the global leader in IFS for key accounts, we are building the best customer offering based on our global and scalable operating model.

Our ambition

Global **leader** in IFS

#1 Globally in **cleaning**

Focus on three prioritised segments ...

Office-Based
- Financial services
- Technology
- Professional services

Production-based
- Industry & Manufacturing
- Life sciences
- Food & Beverage

Healthcare

... for which we will focus on four core services

Cleaning
- ISS's heritage
- Global leader

Technical
- Critical for key accounts
- Growth opportunities

Food
- Supports IFS experience
- Opportunity for new offerings

Workplace
- Increased demand
- Addressing core customer needs

Customers' needs

Account and site ownership, flexibility and agility

Outcome-based contracting models

Focus on experience, efficiency and sustainability

Global consistency and compliance

OneISS

operating model enables us to drive customer outcomes and create synergies by scaling investments and applications of service products, technology and sustainability

Our platform

350,000+ Placemakers globally

30 Core countries

40,000+ Customers

50,000+ Sites

Strengthening the global operating model

Our global operating model gains strength through the execution of five strategic priorities:

1. Commercial momentum and segment leadership
2. Brilliant operating basics
3. Service products built on leading technology platforms
4. Environmental sustainability
5. Safe, diverse and inclusive workplaces

Our five strategic priorities will enable us to operate efficiently and offer market leading service products built on leading technology platforms. Our service products are designed to address key customer needs and build on knowledge developed from years of serving customers in our prioritised segments.

We understand the importance of providing our customers with a market-leading workplace experience at competitive cost while at the same time contributing to an environmentally and socially sustainable world.

As part of the commercial momentum priority, and to further enhance our focus on customer retention, ISS is launching the Customer for life programme. The objective of the programme is to increase value creation for all parties throughout the lifetime of the contract and we will restructure and strengthen our commercial mindset and methodology to drive continued retention in our cho sen customer segments, based on right terms and behaviours. The programme is launched in 2023 in five countries and across our global key accounts.

OneISS priorities	Objectives	Progress 2022
Commercial momentum and segment leadership	• Focus on developing service products that meet the needs of prioritised customer segments • A global commercial operating model to leverage our segment expertise across the enterprise • Strong commercial governance	• Large inflow of commercial talent, globally • Structured approach delivering record high retention rate of 94% (93% incl. the exit of the Danish Defence contract) • Improved global collaboration, e.g., integrated Asia & Pacific bid management team into the Group and launched training programme enabling cross-country collaboration
Brilliant operating basics	• Focus on the processes and actions that deliver strong performance – with high productivity, quality and compliance • Leverage technology-enabled and scalable processes to drive efficiencies	• Sharp focus on ten operating fundamentals, including inflation management • Improved cybersecurity above-industry benchmark
Service products built on leading technology platforms	• Innovate our service lines, sharing and scaling best practices across places • Embed technology in service products, i.e. develop once and deploy widely • Enable consistent, and efficient service delivery	• Scaled new daily office cleaning service product, "PureSpace – Office", to drive productivity improvements on 4,000+ sites globally • Scaled food waste reduction service product to 290+ sites saving more than 1.5 million meals in annualised values • Piloted "ISS Takeaway" app at 11 sites across 8 customers showing significant B2C sales uplift • Launched pilot on Asset Management service product with two global key accounts
Environmental sustainability	• Become the global industry leader in environmental sustainability • Ambitious targets, tracked and embedded into the business • Advise and support our customers on their journey to reduce carbon emissions	• Announced commitment to full-scope net-zero emissions by 2040 and submitted science-based targets • Entered vested partnership with LeasePlan with strong incentives to rapidly reduce emissions through electrification our global fleet • Deployed technology to drive food waste reduction
Safe, diverse and inclusive workplaces	• Safety First, always • Leading promoter of social value and mobility • Build stronger teams on diversity, inclusion and belonging	• Announced ambition to become the global Company of Belonging • Global recertification of our HSEQ Management system in line with ISO Standards 9001, 14001 and 45001

Next phase of the OneISS journey

As we turn to the next phase of the OneISS strategy, we continue to execute on our strategic priorities. We intend to further strengthen our global platform through investments in technology-enabled service products and commercial capabilities and culture to support the execution of our stratey. We will drive performance and competitiveness and aim to deliver strong organic growth at attractive and sustainable margins combined with disciplined acquisitive revenue.

Market development

In the wake of the Covid-19 pandemic, workplace experience has become increasingly important in the office-based segment. The purpose of the office is changing in response to employees' increased demand and expectation for flexibility and opportunities to work remotely. While some companies choose to reduce their real-estate footprint, we see that the majority of companies are investing in and upgrading their workplaces and service offerings. They invest to attract people to the office and foster a culture that enhances a sense of belonging and enables innovation and collaboration.

Operational efficiency remains a key sourcing criteria of facility management across all customer segments – especially in periods of economic recession where pressure on costs forces companies to focus on their core activities. Furthermore, demand for sustainable service solutions is increasing as customers look to their service partners for support to their journey to net zero.
To accommodate those needs, we are investing in three key commercial areas which will become differentiating factors for performance at our current customers' workplaces and in future customer bids, i.e.:

- operational efficiency
- technology
- sustainability

Operational efficiency is delivered through the enhanced operating model, which enables the launch of a portfolio of scalable service products to drive a step-change in global productivity.

The investments in technology are focused on creating value from an ecosystem of scalable platforms with data and innovation. The first key applications have already been launched for customers and placemakers to improve the service we provide across workplaces globally, e.g. MyISS, ISS Takeaway, the Outdoor app and the ISS Workplace app.

Finally, ISS is determined to become an industry-leader in championing sustainable workplaces. Through this agenda, ISS is launching an ambition to become the global Company of Belonging. At the same time, ISS is progressing on its own environmental commitments while supporting our customers' journeys to reduce carbon emissions, waste and the consumption of energy and materials. For further details, see Company of Belonging on p. 21 and Sustainability on p. 19.

Sustainability

Making the world work better starts with our contribution to a fair and inclusive society and a healthy planet. This has always been a determining factor in the way we operate our business and it remains a critical part of our current strategy execution. This is also why we carry out our sustainability efforts through two equally important lenses: social and environmental sustainability.

In 2022, we launched the ambition of championing sustainable workplaces, driving true sustainable change through both social and environmental sustainability. The dual focus ensures that we can continue to strengthen our competitiveness and support growth in our next phase of strategy execution.

During the year, we progressed significantly on our ambitious sustainability journey. Both within our own enterprise and in the way we support our customers in achieving their sustainability targets.

Within social sustainability, we launched a new Employee Value Proposition (EVP), further developed our Diversity, Inclusion & Belonging agenda and introduced an ambition to become the Company of Belonging. For further details, see p. 21.

Within environmental sustainability, we announced our commitment to reach full-scope net-zero greenhouse gas emissions by 2040. Furthermore, we have been deploying monitoring and tracking technology and integrating carbon management in our service products. We have also committed to the science-based Targets initiative (SBTi) and have launched specific initiatives within food waste reductions and electrification of our fleet globally.

Leveraging our enterprise and integrating environmental sustainability initiatives into everything we do, allows us to identify and drive initiatives to reduce customer emissions through our 350,000+ onsite placemakers across the globe. Our operating model enables us to share our best practices, ensuring that what works somewhere, we will do everywhere. Enabling and engaging our site teams is key for us in having an impact today – we should not wait to have all our future solutions finalised – we can make a real difference for our customers today.

Materiality assessment

In 2022, we conducted a materiality assessment across our various stakeholders. The purpose of the assessment was to anchor the sustainability topics that are most material to our business. The findings confirmed the importance of our people and governance and showed that insights and data must be at the core of ISS and integrated across the business. The priorities include:

- environmental: carbon, energy, and waste
- social: occupational health, safety and wellbeing, decent working conditions and a diverse and inclusive workplace
- governance: ethical business practices and anti-corruption, human rights and labour standards in the supply chain and responsible procurement practices and supplier conduct

Governance

Our commitment to sustainability is anchored in the Board of Directors and the Executive Group Management. See Our governance structure on p. 31.

Our approach is based on the foundation of our vision, core values, dynamic stakeholder engagement, as well as existing and emerging sustainability trends, risks and opportunities.

The Group's Sustainability and Corporate Strategy Departments are responsible for updating and executing our sustainability efforts, with support from in-country sustainability resources.

Corporate sustainability starts with our value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. That is why ISS has been a signatory to and an active member of the UN Global Compact since 2001 and why we have incorporated the Ten Principles of the UN Global

Compact into our strategies, policies and procedures, and thereby establishing a culture of integrity that not only upholds our basic responsibilities to people and planet, but also sets the stage for long-term success.

Environmental sustainability

At ISS, we recognise the full scope of the climate and environmental crisis, and we are fully committed to operating our business and delivering our services in a sustainable way. We believe that it is our societal responsibility and inherent our licence to operate.

Reducing our impact on the environment is fundamental to our success and future growth. We aim to create long-term value for our business and the world around us by addressing our main environmental challenges and reporting our performance regularly and transparently.

The world is changing rapidly. With the impacts of climate change, energy crisis, resource scarcity and waste overload affecting all of us, ISS wants to become the sustainability leader of our industry.

Progress on commitments

ISS's impact on the environment primarily comes from our supply chain, including purchased goods and services. Therefore, collaboration with our suppliers is key to reducing our environmental footprint. That is why we have committed to ambitious science-based and net-zero targets across our full scopes 1, 2 and 3 emissions by 2040.

In 2022, ISS collected data regarding the level of scopes 1, 2 and 3 emissions related to our business activities. We used 2019 as the baseline year, and data show that our scopes 1 and 2 emissions account for 5% while our biggest opportunity lies in Scope 3, which represents 95% of our total emissions.

Our Pure Space Office product is an example of how we systematically standardise the cleaning methodology in office environments. The global programme is based on best practices across ISS and is designed to provide a workplace environment free from microorganisms with verified hygiene standards to minimise the risk of infection. The methodology and choice of chemicals delivers significant sustainability outcomes in terms of water and chemical reductions. In 2022, the programme reduced water consumption by 11 million litres of water and 450 thousand litres of chemicals. The effort is supported by global training programmes and dedicated product ownership.

Another example is the energy management service we provide across customer portfolios. A team of ISS energy managers working in collaboration with key account stakeholders and local delivery teams to carry out onsite optimisation to reduce electricity and gas consumption across an estate. With consumption data for the sites supplied, ongoing savings are calculated to quantify the benefits being delivered. This successful service product has provided 10%+ evidenced savings in total addressed energy consumption.

TCFD

We remain committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). In 2022, we strengthened governance by building additional sustainability capabilities across the organisation and sharpened our strategic offering and value proposition. Importantly, through our intensive work on setting and submitting our science-based targets for validation by the SBTi, we gained significant insights into our climate-related risks and opportunities that will form part of the basis for further implementing climate-related financial disclosures in 2023.

Emission impact	Business activity
Scope 1 (direct) 69,581 tonnes CO_2 eq.	Arising from sources under our control, e.g., company vehicles, gas emissions and refrigerants
Scope 2 (indirect) 7,084 tonnes CO_2 eq.	Arising from the consumption of purchased electrical energy, heating and cooling and district heating
Scope 3 (indirect) 1,569,421 tonnes CO_2 eq.	Arising from business travel and our supply chain, including purchased goods and services

Commitments	Progress 2022
Science-based target in line with the Paris Agreement goals	• Submitted science-based targets in December 2022 that support an ambitious decarbonisation journey in line with the Paris agreement and our own net zero commitments
Net Zero targets Scope 1 and 2 by 2030 Full Scope 3 by 2040	• Implemented technology solutions for monitoring and tracking • Integrated carbon management in our service products • Engaged our account and site teams to take ownership of net-zero journey
Electrify our fleet ~20,000 vehicles by 2030	• Entered a vested partnership with Lease Plan with joint incentive to rapidly reduce emissions • Progress towards 1,500+ vehicles by end 2022
Greenhouse gases ↓ 25% by 2030 **Food waste** ↓ 50% by 2027	The Cool Food Pledge and innovative menu planning helps us commit to and achieve a science-based target to reduce the climate impact of the food we serve: • Reduced food waste by 527 tonnes, 1.3 million meals and 2,269 tonnes CO_2 (annualised value), in partnership with Winnow food waste reduction system

Company of Belonging

Continuous training and development as well as creating an environment where our placemakers can feel safe and thrive as their authentic selves are not only important from a social sustainability point of view. They are key to delivering on our strategy and our purpose of connecting people and places to make the world work better.

For more than 121 years, we have been centered around our employees. We call them our placemakers. Every day they go above and beyond in delivering outstanding services to our customers. To ensure we continue to deliver on our strategic ambitions and our purpose, we launched a new and bold cultural ambition in 2022: to become the global Company of Belonging.

As an employer of 350,000+ placemakers, with more than 40,000 customers in more than 30 countries worldwide, ISS has an ever more significant impact on people and societies. Through building an environment where every employee feels accepted, empowered and able to thrive as their authentic selves, we will create better experiences and more sustainable outcomes for our placemakers, partners and their communities.

Our cultural ambition is based on a set of fundamental commitments, which combine in service of our ambition, including our three signature objectives, our Diversity, Inclusion & Belonging agenda and our Employee Value Proposition (EVP) and People standards.

In addition, we have set out three core areas to measure success in achieving our ambition, which are employee engagement, employee retention and customer retention.

Our signature objectives

Our three signature objectives will accelerate us on the journey towards becoming the Global Company of Belonging.

Together, our signature objectives are a purposeful and intentional promise to deliver better outcomes for our placemakers, their families, our partners and the communities in which we operate.

1. We pledge, working together with policy makers, our customers and suppliers, to increase the implementation of living wages across our industry

By paying a living wage, we ensure that our placemakers earn a wage that meets their everyday needs and enables them to afford a decent standard of living for themselves and their families. In addition to supporting the lives of our placemakers, paying a living wage has many benefits for our customers, as greater financial recognition for the dedicated work being performed by our placemakers improves employee engagement and enhances retention, leading to higher quality service outcomes.

2. We commit to giving 100,000+ placemakers or their family members a recognised qualification by end 2025

We take pride in investing in our placemakers and currently offer multiple qualifications from courses in competencies for frontliners to academic qualifications for leaders. In addition to the formal qualifications we currently offer, our core development programmes serve to equip all placemakers with opportunities to grow.

Offering 100,000+ placemakers or their families a formal qualification by end 2025, is our pledge to be even more intentional with the development opportunities that are available to our placemakers. Offering leading career development opportunities will create happy and purpose-led placemakers who feel motivated to provide better outcomes for our customers and facilitate social mobility.

3. We partner with all stakeholders to demonstrate the value that all placemakers bring to our workplaces, striving for continued recognition and respect

We will play a leading role in combining the efforts of all our stakeholders to ensure greater recognition and respect for the work that our placemakers perform every day. This is our commitment to all our placemakers. Through partnering with our stakeholders globally, we can hugely impact the way we recognise and show respect for those who make the world work better.

Employee value proposition and people standards

To underpin our commitment to our placemakers, we launched a global employee promise and value proposition (EVP) in September 2022: A Place To Be You. This is closely linked to our cultural ambition of becoming the Company of Belonging.

A Place To Be You embodies our values and culture and articulates our promise to our placemakers, globally. We see you, we hear you, we believe in you and we support you. Our commitment to fostering a culture of belonging is a great example of our values and purpose going hand in hand with our business needs leading us to become recognised as an employer of choice.

Maintaining and ensuring compliance with our Global People Standards is a cornerstone in the way we operate as a business, but to truly make people feel they can belong, entails safeguarding people safety as well.

Our diversity, inclusion & belonging agenda

ISS is built on a foundation of equity, fairness, and respect for all individuals. Diversity, inclusion and belonging are inherent to our DNA. Only through intentionally nurturing a diverse and inclusive workplace can we build and strengthen this sense of belonging and a culture where every placemaker feels that they can bring their best selves to work.

Our strategic approach

Our global Diversity, Inclusion & Belonging (DIB) strategy is driven through five dimensions of diversity: pride, gender, generations & age, abilities and cultures, race & ethnicity. Through our strategy we commit to taking a proactive responsibility towards our surrounding communities and local societies by reflecting diversity and promoting inclusivity.

In 2022, we took significant steps to advance this. We defined three DIB actions in all countries, aiming to drive inclusion. In addition, we finalised the launch of five global Employee Resource Groups (ERG) – voluntary groups of ISS employees for each strategic dimension who work on concrete initiatives to promote inclusion and belonging.

Status on gender balance

Ensuring the right gender balance will lead to greater innovation, improved organisational performance and better service to our customers. To progress sustainably in this area, we focus on two wider goals: getting more women into leadership roles and retaining our female leaders, and building an inclusive environment where they feel they belong.

We have defined a target to achieve 40% gender balance across corporate leadership roles by the end of 2025. As of 2022, the representation of women in corporate leadership roles stood at 36% (2021: 35%). Progress in reaching gender balance at ISS is driven by several key levers and supported by our talent strategy to develop and retain a strong pipeline of current and future female leaders.

For a status on gender balance for the Board of Directors and the Executive Group Management, see p. 29.

Developing and improving the people experience

We take pride in the way we train our placemakers. Continuous upskilling and development are absolutely key in ensuring that we meet the expectations of our customers. Throughout 2022, we continued to strengthen the way we train and develop both frontliners and leaders.

In 2022, our Country Leadership Teams completed leadership workshops in our leadership model. Furthermore, our mid-level managers started to participate in our flagship leadership development programme – Leading OneISS – which supports further embedding of the right culture across the organisation. The programme facilitates clear and structured feedback allowing leaders to gain insights into their personal leadership style, strengths, and development areas – in line with the core behaviours central to delivering

OneISS. We also continued to deploy the Placemaker's Path – our career-long learning and development programme – towards all global key accounts and more than 450 local key accounts. The programme (beyond equipping our people with the right capabilities) drives the right leadership behaviours across our sites – helping us to become a Company of Belonging. We invested in strengthening our operational capabilities with deployment of renewed Key Account Manager Certification programme and launching Site Manager Certification programme through which we build capabilities enabling cohesive application of our scalable operating model.

To retain and engage our 350,000+ placemakers, we focus on offering superior people journeys and create an employee experience where people feel respected, valued and empowered to make positive changes to their working environment. Our ability to listen and respond to our placemakers is key and the use of leading technology is a prerequisite to achieve it.

Our global employee platform – MyISS – serves to digitally connect all placemakers and provides a unified access point and self-service functionalities to make their working lives easier. The opportunity for all placemakers to provide feedback will be enabled and embedded into the platform.

Listening to our placemakers consistently not only enables a culture whereby we can proactively respond to our placemakers but can measure the sense of belonging they feel within ISS. We aim to baseline our engagement score through a global listening survey.

Employee retention

We operate in a marketplace where levels of employee churn are inherently high. To measure success, we are targeting a structural improvement in our employee retention. Higher employee retention underpins a more consistent, higher quality of service and reduces the costs associated with attracting, recruiting and onboarding new colleagues.

Despite an increase from 30% in 2021 to 33% in 2022, our employee turnover rates have proven resilient through the cycle of Covid-19. We continued to focus on retention initiatives, including improved labour conditions relative to market norms in certain countries, and we sustained the improved retention levels compared to the pre-Covid 19 levels.

Health & Safety – a key priority

In line with being a diverse and inclusive workplace and as a vital part of living up to our people promise, our entire health and safety agenda is pivotal for us to make our placemakers feel they belong to a company where respect and protection of their mental and psychological wellbeing is a key essential for everyone.

Health & Safety initiatives remain a key focus and help us keep the wellbeing of all stakeholders, from our placemakers to customers, suppliers, and partners, top of minds. Safety is our highest priority and collectively we work tirelessly to ensure that our placemakers go home safe to their families after a productive working day.

Tragically in 2022, we suffered one work-related fatality, involving a placemaker working in an industrial environment. A working group of SMEs from across our business has been working with the management team involved in the incident to ensure lessons learned from the tragedy are captured in detail. The review has driven a global action plan which will further strengthen our safety framework.

We also have ambitious plans that will strengthen our Health and Safety framework from 2023. They focus on creating even safer working environments for all placemakers and stakeholders within our business.

Lost Time Injury Frequency

LTIF differ and reflect diverse maturity levels towards safety across the various cultures and geographies in which we operate. In 2020 and 2021, ISS have completed most of its divestment programme, which included divestment of business units that had an aggregated lower level of LTIF compared to the Group. This increased the Group's underlying LTIF by approximately 0.2 %-points. As a consequence and also due to increased Loss Time Incidents following the higher activity levels linked to Covid-19 recovery, our LTIF increased to 2.9 in 2022, a slight increase over 2021. The most frequent cause of Loss Time Incidents relates to slips, trips and falls, and we are launching updated campaigns and training for managers and placemakers in 2023 to drive further awareness on these types on incidents. We are committed to reinforcing safety behaviour across all sites that we operate and drive LTIF below 2.5.

Our business risks

In 2022, we continued to strengthen our risk management organisation and capabilities to further build business resilience to both existing operational risks and external events. Our teams responded effectively to mitigate the impacts of war in Ukraine as well as step changes in inflation rates.

Risk management in 2022

Our focus in 2021 was on strengthening governance, simplifying risk assessment processes, and bringing the risk management community closer together. Building on those foundations, the key initiatives for 2022 were focused on developing risk management maturity within the organisation.

Organisation

Having strengthened our risk management foundation, we are revisiting the operational risk management framework. In September 2022, ISS established a new Operational Risk function anchored in our Global Operations team to further develop and manage workplace-related risks for our customers. As a key business partner to the majority of our customers, we play a significant role in their overall risk management framework. Thus, we believe that through our services, we can continue to proactively support our customers in enhancing their risk management agenda and capabilities.

Technology

Our efforts to leverage technology in enhancing our risk management and compliance capabilities continued in key areas such as cybersecurity and data privacy. Our risk assessment processes are now well anchored within the organisation, and we take steps to transition to a digital platform, which is a key step towards realising our longer-term ambition of real-time risk information tracking.

Business Continuity Management

Business Continuity Management (BCM) is an important factor in supporting ISS's organisational resilience (reducing legal and financial exposure; protecting life, property, environment; safeguarding reputation and credibility). This was emphasised by recent significant events, including a cybersecurity incident in 2020, the impact of the Covid-19 pandemic, and most recently the impact of the war in Ukraine. As a result, we have sharpened our focus on a transparent and standardised BCM approach across ISS.

The solutions developed for business continuity and recovery address several scenarios, including:

- Loss or unavailability of premises, including the inability of people to commute to their normal work location
- Mass people absence or the unavailability of key people
- IT system incidents; and
- Loss of a critical vendor (e.g., incident at the provider of an outsourced service/activity)

Group risk review

As part of our bi-annual process, we reviewed the Group's key risks to reflect the main exposures in achieving our strategic objectives. The key risks and mitigation measures identified in 2022 are described on the following pages. Compared to 2021, our assessment of the Group Key Risks reflects that the turnaround plan has been successfully executed. Further, we have included Macroeconomics and Health and Safety in our assessment of Group Key Risks, reflecting in particular the need to manage the step change in inflation and enhanced focus on occupational safety.

Market developments 2022

The facility management industry experienced unprecedented disruption in 2020 and 2021, as the Covid-19 pandemic impacted ways of working and workplace environments globally. The impact on our business was material, albeit with a high degree of stability in cleaning services and a material impact on other services, especially food services. In 2022, we saw continued recovery from the pandemic and increasing levels of activity as customers returned to offices in large markets. In certain markets, the recovery resulted in increased demand for labour.

Following the outbreak of war in Ukraine in 2022, we activated our crisis management processes and established a Group Emergency Response Organisation for real-time decision making. ISS provided support to customers and colleagues in countries affcted by the war, both directly and indirectly. These events fuelled a step change in inflation and

ISS stepped up its processes to manage and mitigate price increases in our supply chain, while also activating commercial mechanisms in our customer contract portfolio in response to increasing operating costs.

Sustainability

The sustainability agenda, in particular when it comes to climate change and the journey to net-zero carbon emissions, is moving fast and is increasingly linked to our license to operate in the market.

ISS has integrated sustainability as a core strategic priority and committed to science-based and net-zero targets. The ability to attract talent to lead and deliver on ISS's and our customers' progression towards these targets is a top priority and key to commercial success in the short and medium term. For details on our commitments to the science-based targets and net zero, see p. 20.

Group Key Risks 2022

- Macroeconomics
- People management
- Environmental sustainability
- Health and Safety
- Regulatory compliance
- Contract management
- Subcontractors
- IT transformation
- Information security and cyber risk
- Finance and reporting

Our exposure to financial risks is disclosed in note 4.4 to the consolidated financial statements.

Macroeconomics	People management	Environmental sustainability	Health and Safety	Regulatory compliance
Unstable and/or unfavourable economic, financial and/or currency conditions that might have adverse impact on achieving ISS business goals.	Risk that ISS will not be able to attract and retain the right people in order to maintain operations and meet our customer obligations.	Risk that ISS will not be able to deliver on own sustainability goals and targets and will not be able to support customers' net zero journey.	Failure to design and implement, within our internal processes and service delivery, sufficient health and safety mechanisms, that would prevent incidents from materialising and affecting our placemakers and customers.	Failure to comply with applicable laws and regulations, including labour law and required licenses and permits which may lead to regulatory, operational, and reputational losses.
Risk drivers Persistent geopolitical tensions, supply chain disruptions, inflationary pressures and economic slowdown may directly or indirectly impact service delivery and its profitability.	**Risk drivers** Current labour market conditions indicate increasing wage inflation in certain geographies. Pressure on the availability of labour and "war for talent" is contributing to increased employee expectations towards employers.	**Risk drivers** Ability to deliver on sustainability goals and targets is key to maintain the license to operate in our markets. Approximately 95% of ISS's carbon emission footprint sits within Scope 3 and our ability to reduce indirect emissions from our supply chain is key to achieving net zero target.	**Risk drivers** Our placemakers execute a range of services in workplaces around the globe, including high risk environments and services	**Risk drivers** Growing complexity and volatility of various regulatory regimes across the multitude of geographies and services in which ISS operates.
Mitigation actions • Defined methodology for managing inflationary pressure in our supply chain and implementation of price increases across the customer contract portfolio • Strengthened contract governance for customer, supplier and subcontractor agreements • Adjustment mechanisms in our customer contracts allowing for inflationary impacts to be managed through price adjustments, scope adjustments or similar	**Mitigation actions** • Focus on our cultural ambition to become the global Company of Belonging, incl. our new Employee Value Proposition and Diversity, Inclusion & Belonging strategy • Signature objectives to attract and retain talent and drive sustainable change in the communities where we operate • Improvement and standardisation of people processes to enhance employee experience, supported by dedicated tools and internal platforms	**Mitigation actions** • Sustainability governance structure in place • Integration of carbon management into our service products • Science-based targets with near-term carbon goals • Developing carbon management tool for tracking, monitoring and reporting • Closer cooperation across supply chain aiming to incentivise emissions reduction	**Mitigation actions** • ISO 45001, 14001 and 9001 certified Health and Safety framework promotes strong processes and procedures • Robust training program for our placemakers • Active promotion of a strong, positive safety culture • Zero tolerance for serious injuries	**Mitigation actions** • Strengthening of functional expertise in countries and Group • Cooperation between countries and Group to build compliance focused culture and further develop regulatory compliance maturity • Robust compliance frameworks and standardised, global approach towards monitoring and ensuring compliance with laws and regulations

Contract management	Subcontractors	IT transformation	Information security and cyber risk	Finance and reporting
Failure to fully identify, assess and manage key risks and opportunities in customer contracts thus adversely impacting profitability, leading to operational or regulatory non-compliance or suffering financial loss or reputational damage.	Risk that ISS will not be able to properly service its customers as a result of failure of its subcontractors, including subcontractor vetting and performance monitoring.	Failure to execute our IT strategy envisioning a global IT approach with more streamlined software and globally managed infrastructure, better data quality and products that will address our customers' expectations and needs.	ISS being target of cyberattacks leading to business disruption and/or disclosure of ISS's and/or our customer's data.	Failure to execute the ongoing finance transformation aiming for stronger, more consistent finance processes, improved data quality and controls.
Risk drivers Diversity of ISS services portfolio translates to variety of contractual models with customers. The complexity of delivered services drives the complexity of contractual obligations and inherent risk of failure in contract management.	**Risk drivers** Increasing complexity and scope of contracted work require ISS to subcontract where we do not have capabilities to self-deliver. Furthermore, policies of key account customers place increasing demands on supply chain compliance.	**Risk drivers** Changing the key elements of ISS IT landscape such as onboarding new processes, teams, tools and modernising existing platforms bears inherent transformation risk.	**Risk drivers** Two most common scenarios include: • state sponsored attacks due to geopolitical tensions • double extortion ransomware attacks	**Risk drivers** Scale of the transformation which covers financial processes, IT systems, frameworks and control environments bears inherent risk of culture change and adaptation to new ways of working.
Mitigation actions • Standardised commercial bid process, including governance structure and procedures involving subject matter experts • Avoid uncapped inflation risk • Standardised contract transition model, including internal certification program for transition experts • Standardised service delivery policies • Further strengthening of cross-country cooperation for global key accounts	**Mitigation actions** • Supplier Code of Conduct • Risk-based supplier vetting and verification procedures, supported by governance structure and a dedicated team • Supplier assurance program with customer flow-down terms, management and performance monitoring process • On-site training for subcontractors • Implementing Scope 3 – Environmental sustainability initiatives and supplier diversity focus	**Mitigation actions** • Policy setting out key principles for IT governance • Communication and governance structure • Organisational change management team • Increased transparency by redesigned reporting lines • Projects funnel model includes IT security by design, security vetting embedded in the processes • Management and constant monitoring of risks within the transformation journey • Tech roadmap to support transformation	**Mitigation actions** • Improvement of overall security posture • Significant investments in continuous improvements • >50 cyber security experts • Fully operational 24/7 SOC team with detect and response capabilities • Dedicated cyber awareness campaigns • Involvement of IT security in business processes	**Mitigation actions** • Clear road map, milestones, and success measures for implementation of global standard processes with adequate oversight and assigned responsibilities • Prioritisation of initiatives and successful rollout to pilot countries • Robust change management process

Corporate governance

Transparency, constructive stakeholder dialogue, sound decision-making processes and controls are key aspects of our corporate governance for the benefit of ISS and our stakeholders.

The management team of the Group formally consists of the Board of Directors and the Managing Director of ISS Global A/S. Since ISS Global A/S has no operating activities of its own, the Group relies on the management team of ISS A/S, the ultimate parent company in Denmark. As a subsidiary of ISS A/S, ISS Global A/S is subject to the same corporate governance policies applicable in ISS A/S. Corporate governance of the ISS Global Group is therefore built on corporate governance of the ISS A/S Group, including the management team, and descriptions in this chapter should be seen in this context.

Framework

The Board of Directors (the Board) regularly reviews the Group's corporate governance framework and policies in relation to the Group's activities, business environment, corporate governance recommendations and statutory requirements; and continuously assesses the need for adjustments. The rules on the governance of ISS A/S, including share capital, general meetings, shareholder decisions, election of members to the Board, etc., is described in the Articles of Association.

The Board reviews the Group's share and capital structure on an ongoing basis. The Board believes the present share and capital structure serves the best interests of both the shareholders and ISS as it gives ISS the flexibility to pursue strategic goals, thus supporting long-term shareholder value combined with short-term shareholder value by way of ISS's dividend policy.

Governance structure

Shareholders

The shareholders of ISS A/S exercise their rights at the general meeting, which is the supreme governing body of ISS.

Management

Management powers are distributed between our Board and our Executive Group Management Board (the EGMB). No person serves as a member of both of these corporate bodies. Our EGMB carries out the day-to-day management, while our Board supervises the work of our EGMB and is responsible for the overall management and strategic direction.

The members of the EGMB are the Group CEO and the Group CFO. Together, they form the management registered with the Danish Business Authority. The Group has a wider Executive Group Management (the EGM), whose members are eleven Corporate Senior Officers in addition to the EGMB. The EGM has a number of committees including a Sustainability Committee addressing ESG-related matters which are reported and reviewed by the EGM and the Board as required.

In the review of our governance structure on p. 31, we have outlined the primary responsibilities of the Board and the EGM as well as 2022 activity by Board committees.

Governance report of ISS A/S

The report includes a transparent description of our governance structure, the main elements of our internal controls related to financial reporting and a detailed description of our position on the Danish Corporate Governance Recommendations. The report is available here: https://brand.issworld.com/m/e36366e7f35d741/original/Corporate-Governance-Report-2022.pdf

Strengthening the EGM

In 2022, our EGM was further strengthened to support our execution of the OneISS strategy.

- On 1 January 2022, Celia Liu took up the position as CEO Central & Southern Europe
- On 1 January 2022, Carl-Fredrik Langard-Bjor took up the position as CEO Northern Europe and joined the EGM
- On 1 June 2022, Sam Hockman took up the position as CEO Global Key Accounts and joined the EGM
- On 1 July 2022, Susanne Jørgensen succeeded Dan Ryan as CEO Americas, who left ISS end of July 2022, and joined the EGM
- On 31 December 2022, Andrew Price stepped down from the EGM
- On 1 January 2023, Agostino Renna took up the position as Chief Commercial Officer and joined the EGM

Composition of the Board

The Board currently consists of nine members, six elected by the general meeting and three elected by and among the employees. Board members elected by the general meeting stand for election each year. At the annual general meeting on 7 April 2022 the following Board changes were made:

- Lars Petersson was appointed as new Board member
- Previous Deputy Chair Henrik Poulsen stepped down
- The Board constituted itself by electing Niels Smedegaard as Chair and Lars Petersson as Deputy Chair
- As of end June 2022, Valerie Beaulieu stepped down as a member of the Board

Employee representatives are elected on the basis of a voluntary arrangement regarding Group representation for employees of ISS World Services A/S as further described in the Articles of Association. Employee representatives serve for terms of four years, and the current term expires in April 2023. A new election was held early 2023, and the elected candidates will join our Board after the annual general meeting in April 2023.

Board evaluation

In 2022, the Board evaluation was conducted as a self-assessment. The assessment included input of nine board members and the EGMB based on a questionnaire, evaluating the strategy development and implementation; risk awareness, monitoring and reporting; cooperation with and evaluation process of CEO and EGM; board composition and dynamics; on- and off- boarding; meeting structure and operation; meeting effectiveness; stakeholder relations; committee and Deputy Chair value contribution; and evaluation of the Chair.

The result was reviewed by the Nomination Committee and discussed at a Board meeting. The individual member's contribution was subsequently reviewed as part of individual meetings held between the Chair and each member. The outcome of the 2022 Board evaluation was a continued high level of performance and improvement across the areas covered by the questionnaire. Especially, strategy development and implementation and cooperation with management had improved. Overall, the Board was found to achieve its mandate, fulfil its responsibilities, and provide value.

The evaluation identified a few focus areas to improve the Board's value-add during 2023: i) separate sessions on strategic and operational risks, ii) reviewing onboarding procedure for employee elected board members and iii) continue board visits to operations.

For further details, please see response to recommendation 3.5.1 of the 2022 Statutory report on Corporate Governance.

Competencies and diversity

The Board and the EGM recognise the importance of promoting diversity at management levels and have implemented policies regarding competencies and diversity in respect of Board and EGMB nominations according to which we are committed to selecting the best candidate. Emphasis is placed on:

- experience and expertise;
- diversity of gender and in broader terms; and
- personal characteristics matching ISS's values and leadership principles.

As part of our Diversity & Inclusion strategy, we have defined a target of achieving at least 40% gender balance at all corporate leadership levels by 2025. The strategy and our initiatives to improve gender balance is further described on p. 22. Gender balance at all leadership levels remains a focus area in 2023.

To meet the new reporting requirements on gender representation for the Board and other management levels according to Danish legislation as of 1 January 2023, the Group has updated its "Competencies and diversity policy for the Board of Directors and other management levels of ISS A/S". The policy is available here:
https://www.issworld.com/en/investor/investor-relations/corporate-governance

Board gender balance

The current gender representation among Board members (elected by the general meeting) is 33% women and 67% men, which is considered equal according to the Danish Business Authority's applicable guidelines[1,2]. With the inclusion of employee representatives, 56% of our Board is women. The Board aims to maintain an equal gender representation of 40/60% among elected board members in accordance with the Danish Business Authority's applicable guidelines.

EGM gender balance

In our EGM, the female representation increased to 31% in 2022 (2021: 25%) following changes to the management team to support the execution of our strategy.

Assurance

The Group's external financial reporting is audited by the independent auditors.

Group Internal Audit (GIA) is responsible for providing an objective and independent assessment of the effectiveness and quality of the internal controls in accordance with the internal audit plan approved by the Audit and Risk Committee (ARC). GIA operates under a charter approved by the Board.

Following the limited travel ability of GIA in 2021 due to Covid-19 restrictions, for 2022 on-site audits have been prioritised although in limited circumstances assurance activities continue to be performed through remote testing.

In 2022, focus has been on:

- Continued strengthening of the GIA team through recruitment of new members;
- Implementation of a new cloud-based audit management solution to monitor and reduce the number of open audit recommendations;
- Execution of our 2022 audit plan providing broad country level assurance through the Baseline audit programme and contract level assurance on our global key accounts through our Key Account audit programme.

[1] According to the Danish Business Authority's guidelines on target figures, policies and reporting on the gender composition of management, a gender distribution of 40/60% or the closest number under 40% is considered equal.

[2] In respect of the specific target for ISS Global A/S, cf. 99b of the Danish Financial Statements Act, the current gender representation among Board members (elected by the general meeting) is 25% women and 75% men, which is considered equal according to the Danish Business Authority's applicable guidelines. The company is exempted from setting a policy and target figure for other management levels as ISS Global A/S has less than 50 employees and the other management levels consists of less than three people.

Speak Up (whistleblower)

The Speak Up Policy is supported by a reporting system operated on a platform from EQS and available in 21 languages via ISS's website and local ISS country websites. The system enables employees of ISS, business partners and other stakeholders to report concerns anonymously to Group Internal Audit.

All business integrity and ethics issues identified through Speak Up or other sources are handled by the Business Integrity Committee (BIC) that is composed of the Group CFO, the Group General Counsel, the Group People and Culture Officer and the Head of Group Internal Audit. The BIC reports to the Audit and Risk Committee on all matters that have been subject to investigation. In 2022, the BIC charter was expanded to cover compliance-related topics along with all business integrity and ethics issues.

In 2022, the awareness of the Speak Up has been strengthened through a global communication plan executed following an update of the Speak Up policy to align with the requirements of the EU whistleblower directive. In addition, the accessibility of the Speak Up system has been strengthened through the implementation of a manned phone hotline providing local land line and toll-free numbers across 35 countries giving reporters the opportunity to report to an independent third-party in their native language.

Data ethics

ISS executed a Group Data Ethics Policy (the policy) in 2021, to ensure compliance with Danish legislation and ISS's commitment to secure and proper management of data. The policy describes ISS's approach to data ethics and aims to encourage our employees and partners, involved in the use of data, to have a positive and active involvement in data ethical questions and to raise concerns ensuring continuous development of the guiding principles for data ethics.

ISS process data for the purpose of providing our services, managing our workforce and properly documenting compliance and delivery to customers and public authorities. In order to protect the data, processes, and the persons affected by these activities, the policy is based on the Charter of Fundamental Rights of the European Union, addressing self-determination, human dignity, responsibility, equality and fairness, progressiveness, diversity and inclusion, and accountability. The policy is mandatory for all ISS employees and ISS partners worldwide.

Throughout 2022, ISS worked towards integrating the principles of the policy in existing and new processes. The focus has been within data analytics and data science ensuring our use cases are prepared and utilises our Data Ethics frameworks. This ensures that use cases within analytics, data science etc. are prepared in an ethical, responsible manner reducing the risk of bias and minimising potential negative impact.

Data ethics are considered in all relevant initiatives and are included in applicable approval processes. Awareness and training efforts will be conducted to generate awareness. Finally, the policy also establishes governing principles for the application of data ethics when developing and deploying data processing technologies based on AI solutions. These principles are implemented in order to ensure safe, accountable, transparent and non-discriminative use of AI technology in ISS.

The policy as per section 99d in the Danish Financial Statements Act has been adopted by the EGM and the Board and is subject to annual review in line with ISS's policy standards. The policy is available here:
https://brand.issworld.com/m/7718dae21a3a6761/original/ISS-Data-Ethics-Policy-20211215-_Final.pdf

Our governance structure

Board of Directors

Responsible for the overall management and strategic direction of the Group, including:
- strategy plan and financial projections
- appointing EGMB members
- supervising the activities of the Group
- reviewing the financial position and capital resources to ensure that these are adequate

The Board receives a monthly financial reporting package and is briefed on important matters in between board meetings.

The Board held 11 meetings in 2022.

2022 committee activity

Audit and Risk Committee

Held 7 meetings in 2022 and continued its focus on:
- Evaluating the external financial reporting, significant accounting policies as well as significant accounting estimates and judgements related to items such as impairment tests, divestments, deferred tax as well as revenue and related customer receivables
- Reviewing and monitoring the Group's risk management, internal controls, Speak Up (whistleblower) system and business integrity matters
- Monitoring the Group internal audit function
- Evaluating the Financial Policy, the Dividend Policy and the Group Tax Policy
- Monitoring and considering the relationship with the independent auditors, reviewing the audit process and the auditors' long-form audit report, and recommending on appointment of auditors

Remuneration Committee

Held 7 meetings in 2022 and continued its focus on:
- Assisting in reviewing the remuneration policy and guidelines on incentive pay
- Recommending the remuneration of Board and EGMB members and approving remuneration of EGM

Nomination Committee

Held 8 meetings in 2022 and continued its focus on:
- Assisting in ensuring that appropriate plans and processes are in place for the nomination of candidates to the Board and the EGMB
- Evaluating the composition of the Board and the EGMB
- Recommending nomination or appointment of Board, EGMB and board committee members

Transaction Committee

Held 3 meetings in 2022 and continued its focus on:
- Reviewing new M&A strategy
- Reviewing and making recommendations on certain large acquisitions, divestments and customer contracts
- Following and considering large transactions, including reviewing pipeline and ISS's procedures
- Reviewing material new financing, refinancing or material variation of existing financing and proposals for equity or debt issuance

Executive Group Management

Responsible for the day-to-day management of the Group, including:
- developing and implementing strategic initiatives and Group policies
- designing and developing the organisational structure
- monitoring Group performance
- evaluating and executing investments, acquisitions, divestments and large customer contracts
- assessing whether the Group has adequate capital resources and liquidity to meet its existing and future liabilities
- establishing procedures for accounting, IT organisation, risk management and internal controls
- EGM has established a number of committees, including Sustainability, Remuneration, IT & Digitalisation, Business Integrity, D&I, Disclosure, Product & Platform and Transaction Committees.

Country leadership

Responsible for the implementation of the OneISS strategy and business model on country level and managing the business in accordance with Group policies and procedures as well as local legislation and practice of each country, including managing operations in their market.

Country leadership teams are set out under each relevant country at www.issworld.com

Consolidated financial statements

Statement of profit or loss

1 January – 31 December

(DKKm)	Note	2022	2021
Revenue	1.1, 1.2	**76,558**	**71,383**
Employee costs	1.3	(47,533)	(45,602)
Consumables		(6,598)	(5,020)
Other operating expenses		(17,301)	(16,276)
Depreciation and amortisation	2.6, 3.1	(1,386)	(1,565)
Operating profit before other items		**3,740**	**2,920**
Other income and expenses, net	1.4	78	456
Royalty		(1,274)	(1,225)
Goodwill impairment	3.2	-	(459)
Amortisation/impairment of brands and customer contracts	3.1	(69)	(64)
Operating profit	1.1	**2,475**	**1,628**
Financial income	4.3	299	110
Financial expenses	4.3	(617)	(683)
Profit before tax		**2,157**	**1,055**
Income tax	5.1, 5.2	(361)	(559)
Net profit from continuing operations		**1,796**	**496**
Net profit from discontinued operations	3.4	**159**	**110**
Net profit		**1,955**	**606**
Attributable to:			
The owner of ISS Global A/S		1,877	584
Non-controlling interests		78	22
Net profit		**1,955**	**606**

Statement of comprehensive income

1 January – 31 December

(DKKm)	Note	2022	2021
Net profit		**1,955**	**606**
Items that will not be reclassified to profit or loss:			
Remeasurement gain/(loss), defined benefit plans	7.1	208	1,145
Asset ceiling, defined benefit plans	7.1	(43)	(1,080)
Tax	5.2	(53)	(11)
Items that may be reclassified to profit or loss:			
Foreign exchange adjustments of foreign entities	4.1	(31)	174
Fair value adjustments of net investment hedges	4.1, 4.7	(43)	(191)
Recycling of accumulated foreign exchange adjustments on country exits	4.1	(36)	15
Hyperinflation restatement of equity at 1 January	7.2	814	-
Tax	4.1	10	42
Other comprehensive income		**826**	**94**
Comprehensive income		**2,781**	**700**
Attributable to:			
The owners of ISS Global A/S		2,385	693
Non-controlling interests		396	7
Comprehensive income		**2,781**	**700**

Statement of cash flows

At 31 December

(DKKm)	Note	2022	2021
Operating profit before other items		3,740	2,920
Operating profit before other items from discontinued operations	3.4	31	87
Depreciation and amortisation	2.6, 3.1	1,386	1,565
Non-cash items related to hyperinflation	7.2	(51)	-
Share-based payments		40	34
Changes in working capital	2.4	407	1,039
Changes in provisions, pensions and similar obligations		(665)	(407)
Other expenses paid		(31)	(50)
Interest received from companies within the ISS Group		83	65
Interest received		85	40
Interest paid to companies within the ISS Group		8	-
Interest paid		(483)	(472)
Income tax paid	5.1	(338)	(443)
Payments related to royalties		(1,192)	(1,157)
Cash flow from operating activities		**3,020**	**3,221**
Acquisition of businesses	3.3	(325)	(526)
Divestment of businesses	3.4	587	1,191
Acquisition of intangible assets and property, plant and equipment		(616)	(466)
Disposal of intangible assets and property, plant and equipment		28	42
Acquisition of financial assets, net		(30)	(6)
Cash flow from investing activities		**(356)**	**235**
Repayment of bonds	4.2	-	(1,577)
Repayment of lease liabilities	4.2	(850)	(935)
Other financial payments, net	4.2	(41)	(431)
Changes in debt to companies within the ISS Group, net	4.2	40	(215)
Changes in receivables from companies within the ISS Group, net		3	-
Transactions with non-controlling interests		(7)	164
Cash flow from financing activities		**(855)**	**(2,994)**
Total cash flow		**1,809**	**462**
Cash and cash equivalents at 1 January		3,427	2,741
Total cash flow		1,809	462
Foreign exchange adjustments		(70)	224
Cash and cash equivalents at 31 December	4.2	**5,166**	**3,427**
Free cash flow	2.7	**1,616**	**1,900**

Statement of financial position

At 31 December

(DKKm)	Note	2022	2021
Assets			
Intangible assets	3.1, 3.2	17,246	16,055
Right-of-use assets	2.6	2,345	2,377
Property, plant and equipment	2.6	891	896
Receivables from companies within the ISS Group		3,386	3,164
Deferred tax assets	5.2	897	790
Other financial assets		449	451
Non-current assets		**25,214**	**23,733**
Inventories		231	177
Trade receivables	2.1	10,996	10,406
Tax receivables		145	164
Receivables from companies within the ISS Group		180	466
Other receivables	2.2	1,600	1,491
Cash and cash equivalents	4.6	5,166	3,427
Assets held for sale	3.4	32	493
Current assets		**18,350**	**16,624**
Total assets		**43,564**	**40,357**
Equity and liability			
Equity attributable to owners of ISS A/S		6,424	4,039
Non-controlling interests		602	206
Total equity	4.1	**7,026**	**4,245**
Loans and borrowings	4.2	15,893	16,032
Pensions and similar obligations	7.1	1,185	1,351
Deferred tax liabilities	5.2	536	378
Provisions	2.5	465	755
Non-current liabilities		**18,079**	**18,516**
Loans and borrowings	4.2	1,000	866
Trade and other payables		6,757	5,566
Tax payables		172	174
Other liabilities	2.3	9,914	9,749
Provisions	2.5	606	961
Liabilities held for sale	3.4	10	280
Current liabilities		**18,459**	**17,596**
Total liabilities		**36,538**	**36,112**
Total equity and liabilities		**43,564**	**40,357**

Statement of changes in equity

1 January – 31 December

(DKKm)	Note	Share capital	Retained earnings	Translation reserve [1]	Total	Non-controlling interests	Total equity
		Attributable to the owner of ISS Global A/S					
2022							
Equity at 1 January		**180**	**4,816**	**(957)**	**4,039**	**206**	**4,245**
Net profit		-	1,877	-	1,877	78	1,955
Other comprehensive income	4.1	-	148	360	508	318	826
Comprehensive income		-	**2,025**	**360**	**2,385**	**396**	**2,781**
Changes in equity		**-**	**2,025**	**360**	**2,385**	**396**	**2,781**
Equity at 31 December		**180**	**6,841**	**(597)**	**6,424**	**602**	**7,026**
2021							
Equity at 1 January		**180**	**3,998**	**(1,012)**	**3,166**	**29**	**3,195**
Net profit		-	584	-	584	22	606
Other comprehensive income	4.1	-	54	55	109	(15)	94
Comprehensive income		-	**638**	**55**	**693**	**7**	**700**
Non-controlling interests		-	180	-	180	170	350
Transactions with the owner		-	**180**	-	**180**	**170**	**350**
Changes in equity		-	**818**	**55**	**873**	**177**	**1,050**
Equity at 31 December		**180**	**4,816**	**(957)**	**4,039**	**206**	**4,245**

[1] At 31 December 2022, DKK 6 million (2021: DKK 39 million) of accumulated foreign exchange gains related to discontinued operations.

Significant changes and events

In 2022, the Group's performance and financial position was affected by the significant changes and events highlighted below. A detailed review of the Group's performance is provided in the Management's Review on pp. 5-15.

Macroeconomic environment

In 2022, we saw significant macroeconomic uncertainties (among others due to the Russia-Ukraine war) leading to increased interest and inflation rates. These developments have impacted certain accounting estimates and judgements, including assumptions made by management, most significantly in relation to:

- Impairment tests, note 3.2
- Pensions and similar obligations, note 7.1
- Onerous contracts, note 2.5

Russia-Ukraine war

In March 2022, we divested our business in Russia as part of the strategic divestment programme. In addition, ISS has no material activities in Ukraine. Consequently, the Russia-Ukraine war did not have a material impact on the results of the Group's operations and financial position in 2022. However, the impact of the war led to increased operating costs due to generally increased inflation rates which were in all material respects mitigated through price increases in our customer contract portfolio.

Divestment programme

In 2022, the strategic divestment programme was successfully completed as we divested Taiwan, Russia and Portugal as well as two business units in Hong Kong and the UK. As a result, a net gain of DKK 243 million was recognised in profit or loss in 2022.

See 3.4, Divestments, discontinued operations and assets held for sale for further details.

Hyperinflation in Turkey

Effective 1 January 2022, the Group implemented IAS 29, Financial Reporting in Hyperinflationary Economies as the cumulative three-year inflation in Turkey exceeded 100%.

As a result, the financial statements of ISS Turkey for 2022 have been restated based on changes in the general price index and by applying end-of period exchange rates. Comparative figures were not restated.

The implementation did not have a material impact on the Group's key financial KPIs. Impact and applied accounting policies are disclosed in 7.2, Hyperinflation in Turkey.

Estimates and judgements

The preparation of the Group’s consolidated financial statements required management to make judgements, estimates and assumptions that affected the reported amounts of assets, liabilities, income and expenses, the accompanying disclosures, including contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Estimates and assumptions are reviewed on an ongoing basis and have been prepared taking macroeconomic developments into consideration, but still ensuring that one-off effects which are not expected to exist in the long term do not affect estimation and determination of these key factors, including discount rates and expectations for the future.

The table below provides an overview of the Group's significant accounting estimates and judgements and the significance of impact on the consolidated financial statements.

Note	Significant estimates and judgements	Estimate/ Judgement	Impact
1.2 Revenue	• Revenue recognition – impact from contract modifications and variable consideration • Gross or net presentation	Estimate/Judgement Judgement	•• •
2.2 Other receivables	• Capitalisation of transition and mobilisation costs	Judgement	•
2.5 Provisions	• Onerous contracts – future profitability • Assumptions for claims, disputes and legal proceedings	Estimate/Judgement Judgements	••• •••
2.6 Right-of-use assets	• Lease term, including extension options mainly related to buildings	Judgement	••
3.1 Intangible assets	• Cloud-based arrangements – assessment of control • Capitalisation of configuration and customisation costs for software	Judgement Judgement	• •
3.2 Impairment tests	• Key assumptions in impairment test of goodwill and other intangible assets	Estimate	•••
5.2 Deferred tax	• Recognition of deferred tax assets – future taxable profit available • Uncertain tax positions – estimate of the amount required to settle the obligation	Estimate Estimate/ Judgement	• •
7.1 Pensions and similar obligations	• Assumptions for actuarial gains and losses, e.g. inflation and discount rates, future salary and pension increases increases	Estimate	•

• Low
•• Medium
••• High

Operating profit

1.1 Segments

1.1.1 Operating segments

ISS is a leading, global provider of workplace and facility service solutions operating in 30+ countries. Operations are generally managed based on a geographical structure in which countries are grouped into regions.

The regions have been identified based on a key principle of grouping countries that share market conditions and cultures. Countries where we do not have a full country-based support structure, which are managed by Global Operations, are combined in a separate segment "Other countries".

An overview of the grouping of countries into regions is presented in 8.4, Group companies.

(DKKm)	Northern Europe	Central & Southern Europe	Asia & Pacific	Americas	Other countries	Total segments	Unallocated/ elimination	Total Group
2022[1]								
Revenue, excl. IAS 29[2]	28,694	24,538	14,012	8,585	606	76,435	(31)	76,404
Revenue	**28,694**	**24,692**	**14,012**	**8,585**	**606**	**76,589**	**(31)**	**76,558**
Depreciation and amortisation	(557)	(575)	(147)	(97)	(4)	(1,380)	(6)	(1,386)
Operating profit before other items, excl. IAS 29[2]	1,519	1,108	882	445	27	3,981	(212)	3,769
Operating profit before other items	**1,519**	**1,079**	**882**	**445**	**27**	**3,952**	**(212)**	**3,740**
Operating margin	*5.3%*	*4.4%*	*6.3%*	*5.2%*	*3.1%*	*5.2%*	-	*4.9%*
Operating margin, excl. IAS 29	*5.3%*	*4.5%*	*6.3%*	*5.2%*	*3.1%*	*5.2%*	-	*4.9%*
Other income and expenses, net	62	(13)	160	(124)	-	85	(7)	78
Royalty	(467)	(386)	(280)	(131)	(10)	(1,274)	-	(1,274)
Amortisation/impairment of brands and customer contracts	(16)	(27)	(4)	(22)	-	(69)	-	(69)
Operating profit	**1,098**	**653**	**758**	**168**	**17**	**2,694**	**(219)**	**2,475**
2021								
Revenue	**27,675**	**23,585**	**12,381**	**7,141**	**626**	**71,408**	**(25)**	**71,383**
Depreciation and amortisation	(659)	(581)	(212)	(109)	(3)	(1,564)	(1)	(1,565)
Operating profit before other items	**1,290**	**583**	**735**	**393**	**16**	**3,017**	**(97)**	**2,920**
Operating margin	*4.7%*	*2.5%*	*5.9%*	*5.5%*	*2.6%*	*4.2%*	-	*4.1%*
Other income and expenses, net	(1)	447	(2)	78	-	522	(66)	456
Goodwill impairment	-	(459)	-	-	-	(459)	-	(459)
Royalty	(519)	(378)	(188)	(131)	(9)	(1,225)	-	(1,225)
Amortisation/impairment of brands and customer contracts	(21)	(11)	(7)	(26)	-	(65)	1	(64)
Operating profit	**749**	**182**	**538**	**314**	**7**	**1,790**	**(162)**	**1,628**

[1] Effective 1 January 2022, the Group reorganised its European business into the regions Northern Europe and Central & Southern Europe consistent with the Group's internal management and reporting structure. As a result, the Netherlands, Belgium & Luxembourg, Poland and Lithuania were moved from Central & Southern Europe (previously Continental Europe) to Northern Europe. Asia & Pacific and Americas remained unchanged. Comparative figures for 2021 were restated accordingly.

[2] Effective 1 January 2022, ISS Turkey was restated for hyperinflation in accordance with IAS 29, cf. 7.2, Hyperinflation in Turkey.

1.1 Segments (continued)

1.1.2 Geographical distribution

	Revenue		Non-current assets [1]	
(DKKm)	2022	2021	2022	2021
UK & Ireland	10,396	10,634	2,172	2,334
US & Canada	6,387	5,298	2,492	2,362
Switzerland	5,729	5,212	1,950	1,549
Germany	5,556	5,429	1,016	1,007
Australia & New Zealand	4,868	4,349	1,384	1,399
Spain	4,122	4,420	1,263	1,246
Norway	4,016	3,181	668	693
Denmark (country of domicile)	3,169	3,661	813	880
Other countries [2]	32,315	29,199	12,616	11,473
Total	76,558	71,383	24,374	22,943

[1] Excluding deferred tax assets.

[2] Including unallocated items and eliminations.

Accounting policy

The segmentation is consistent with the Group's strategic management and reporting structure applied by the Executive Group Management, and excludes discontinued operations. Segments are managed primarily based on business performance measured by Operating profit.

Segment revenue and costs comprise items that are directly attributable to the individual segments. Unallocated items mainly consist of revenue and cost relating to the Group's corporate functions. Decisions on financing (financial income and expenses) as well as tax planning (income tax) are managed at Group level and are therefore not managed and allocated to segments.

Segment revenue is presented including internal revenue which due to the nature of the business is insignificant and therefore not disclosed. Transactions between operating segments are made on market terms.

The geographical distribution of segment revenue and non-current assets is based on the geographical location of the individual subsidiary from which the sales transaction originates. Significant countries are defined as countries representing more than 5% of Group revenue as well as the domicile country, Denmark. No customer comprise more than 10% of Group revenue.

1.2 Revenue

1.2.1 Performance obligations

Revenue is generated from rendering of workplace and facility service solutions. Our services are provided at the customer's site on a daily basis continuously over the term of the contract. The customer simultaneously receives and consumes the benefits provided by the Group. Thus, performance obligations are satisfied over time.

Revenue is split between portfolio and projects and above-base work, with the vast majority stemming from portfolio revenue, approx. 82% (2021: 81%).

(DKKm)	2022	2021
Portfolio revenue	62,892	57,499
Projects and above-base work	13,666	13,884
Total	76,558	71,383

Portfolio revenue comprises revenue from contracts with customers that is contractually agreed (committed) at inception and relates to services that we are obligated to render on a recurring basis over the term of the contract. Revenue from projects and above-base work (e.g. capital projects) is demanded on a non-recurring basis and agreed separately with the customer.

1.2.2 Disaggregation of revenue

Aligned with our strategy to focus on key accounts in three prioritised segments, where we deliver our core services, we disaggregate revenue based on:

- customer category;
- customer segment;
- services; and
- geographical region.

We believe that these best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

(DKKm)	2022	2021
Customer categroy		
Key accounts	54,686	49,258
Large and medium	17,387	17,958
Small and route-based	4,485	4,167
Total	76,558	71,383
Customer segments		
Office-based	30,667	n/a
Production-based	18,094	n/a
Healthcare	10,046	n/a
Other	17,751	n/a
Total	76,558	n/a
Core Services		
Cleaning	34,697	34,419
Technical	16,644	16,229
Food	10,177	7,541
Workplace, incl. Other	15,040	13,194
Total	76,558	71,383

Disaggregation of revenue based on geographical region is disclosed in 1.1, Segments.

1.2 Revenue (continued)

1.2.3 Costs to fulfill a contract

The size and complexity of key account contracts often requires ISS to incur significant transition and mobilisation costs before service delivery commences in order to be able to fulfill the performance obligations under the contracts.

Transition and mobilisation costs comprise costs, directly related to launching certain large long-term contracts such as transfer of employees from previous suppliers, site due diligence, planning and developing service plans. The cost includes internal direct costs and external costs, e.g. to consultants.

At 31 December 2022, capitalised transition and mobilisation costs amounted to DKK 36 million (2021: DKK 62 million). No significant additional costs were capitalised in 2022.

Capitalised transition and mobilisation costs are presented in 2.2, Other receivables.

1.2.4 Revenue backlog

Our revenue base consists of a mix of yearly contracts, which are renewed tacitly, and thousands of multi-year contracts, the majority of which have an initial term of three to five years. Depending on the size and complexity of the contract, the transition and mobilisation period is normally between six and twelve months for our key accounts. Contracts regularly include options for the customer to terminate for convenience within three to nine months. However, we maintain a high retention rate of 94% (excl. the exit of the Danish Defence contract), both for key accounts and overall, supporting that these options are rarely exercised.

As described in 1.2.1, Performance obligations, the vast majority of our revenue is portfolio revenue and the remaining part is non-recurring in the form of projects and above-base work. Projects and above-base work is not committed as part of the main customer contract and is therefore excluded from the transaction price to be allocated to the remaining performance obligation (revenue backlog). In addition, the Group has applied the exemptions of IFRS 15, and excluded the following from the backlog:

- contracts with a term of less than 12 months; and
- contracts where the Group invoices a fixed amount for each hour of service provided.

As a result, the amounts disclosed in the maturity table are significantly lower than reported revenue and will likely not reflect the degree of certainty in future revenue (and cash inflows) to the Group. As a supplement, in the management review, p. 10, a maturity overview for our largest key accounts (> DKK 200 million of annual revenue) is presented.

(DKKm)		2022		2021
< 1 year	34%	21,413	33%	20,310
1-5 years	54%	34,407	50%	30,586
> 5 years	12%	7,352	17%	10,148
Total	100%	63,172	100%	61,044

1.2 Revenue (continued)

Significant accounting estimates and judgements

Our customer contracts are based on three different commercial models requiring varying levels of management estimates and judgement in determining the transaction price:

1) Fixed price contracts
2) Cost-plus contracts; and
3) Cost-plus variations (typically capped)

For fixed price contracts, revenue is recognised based on the transaction price stated in the contract, and thus require limited judgement from management.

For cost-plus contracts, including variations e.g. with a cap, ISS's transaction price is determined based on costs incurred with the addition of an agreed markup/management fee. Determining the transaction price requires management to assess, which costs may be included in the calculation basis and if relevant, whether within the capped maximum.

For key accounts and other large contracts, the transaction price may also include a variable consideration based on achievement of certain key performance indicators and gain share. Management estimates variable consideration based on the most likely amount to which it expects to be entitled on a contract-by-contract basis. Management makes a detailed assessment of the amount of revenue expected to be received and the probability of success in each case. Variable consideration is included in revenue as services are performed to the extent that it is highly probable that the amount will not be subject to significant reversal.

Price adjustment mechanisms in our customer contracts vary in terms of content and extent. Judgement is required by management to determine the amount of revenue expected to be received as a result of inflationary pressure on costs of delivery.

Contract modifications regularly occur, particularly for key account customers, in order to ensure that service solutions reflect their current needs. Such modifications are generally agreed with the customer in advance as per the contract in accordance with a specified change management procedure and accounted for going forward with no impact on recognised revenue up to the date of modification. Management assess how quickly ISS would be able to implement the scope changes of the service.

Gross or net presentation of revenue Management uses judgement to determine whether the nature of ISS's promise is to provide the specified services (ISS is the principal), or to arrange for another party to provide the services (ISS is acting as an agent). This assessment is based on an evaluation of whether ISS controls the specified services before transfer to the customer. The Group has concluded that as a main rule it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer, and consequently as a main rule recognises revenue on a gross basis.

Accounting policy

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the expected consideration for those services. Control is transferred over time as the customer simultaneously receives and consumes the benefits provided by the Group.

Services are invoiced on a monthly basis at an amount corresponding to the value of the completed performance obligation.

Revenue excludes amounts collected on behalf of third parties, e.g. VAT and duties.

The input method is used to measure progress towards complete satisfaction of the service due to the direct relationship between labour hours and costs incurred, and the transfer of services to the customer. The Group recognises revenue on the basis of the labour hours and costs expensed relative to the total expected labour hours and costs to complete the service.

1.3 Employee costs

(DKKm)	Note	2022	2021
Wages and salaries		38,048	36,459
Social security costs		5,949	5,569
Pensions	7.1	1,448	1,376
Share-based payments	6.2	40	33
Other		2,048	2,165
Total		47,533	45,602
Average number of employees		352,540	362,554

Our strategy is based on self-delivery of our core services by our placemakers. Our business model is asset light and therefore employee costs is our single largest cost category.

In 2022, employee costs comprised 65% of the total operating costs (2021: 67%) and were positively impacted by a refund of collective insurance premiums paid in prior years in Sweden of DKK 23 million (2021: DKK 78 million).

Government grants

In 2022, the Group recognised government grants of DKK 159 million (2021: DKK 135 million) in the form of wage subventions, which have been recognised as a reduction of employee costs. The grants compensate the Group primarily for social security, wage increases as well as employing certain categories of employees such as trainees, disabled persons, long-term unemployed and employees in certain age groups.

In addition, the Group received Covid-19 grants during the pandemic to compensate costs related to e.g. employees on furlough, social security contribution and sick pay compensation. With the cessation of the pandemic, the grants have gradually lapsed. In 2022, the Group recognised Covid-19 related grants of DKK 122 million (2021: DKK 432 million), mainly in the US, Hong Kong and Sweden.

1.4 Other income and expenses, net

(DKKm)	2022	2021
Gain on divestments	227	621
IT security incident	-	7
Other income	**227**	**628**
Loss on divestments	(124)	(34)
Integration costs	(7)	-
Acquisition costs	(4)	(77)
Ceased held for sale classification	-	(59)
Other	(14)	(2)
Other expenses	**(149)**	**(172)**
Other income and expenses, net	**78**	**456**

Gain on divestments mainly related to the Waste Management business in Hong Kong and the damage control business in the UK. In 2021, gain on divestments mainly related to Kanal Services in Switzerland and Specialized Services in the US.

Loss on divestments mainly comprised to a withdrawal liability on a multiemployer plan in the US related to the divestment of the Specialized Services business in December 2021. In 2021, the loss mainly related to adjustments to prior years' divestments and the divestment of the Fruit Baskets business in Sweden.

Acquisition costs mainly related to the acquisition of Livit FM Services AG in Switzerland (2021: Rönesans Facility Management Company).

Integration costs related to the acquisition of Livit FM Services AG in Switzerland.

Ceased held for sale classification comprised depreciation and amortisation for the years 2019 to 2020 due to the ceased held for sale classification of Chile in 2021.

Other comprised mainly costs related to winding-up of a minor business in Germany.

Accounting policy

Other income and expenses, net consists of recurring and non-recurring items that management does not consider to be part of the Group's ordinary operating activities, i.e. gains and losses on divestments, remeasurement of disposal groups classified as held for sale, carrying amount adjustments regarding ceased held for sale classification, the winding-up of operations, disposal of property and acquisition and integration costs.

Other income and expenses, net are presented separately from the Group's ordinary operating activities as management believes that this best reflects the Group's financial performance.

SECTION 2

Operating assets, liabilities and free cash flow

2.1 Trade receivables and credit risk

(DKKm)	2022 Gross	2022 Expected credit losses	2022 Carrying amount	2021 Gross	2021 Expected credit losses	2021 Carrying amount
Central & Southern Europe	4,553	(50)	4,503	4,355	(64)	4,291
Northern Europe	3,218	(24)	3,194	3,303	(37)	3,266
Asia & Pacific	2,072	(38)	2,034	1,852	(49)	1,803
Americas	1,171	(12)	1,159	964	(12)	952
Other countries	106	-	106	94	-	94
Total	11,120	(124)	10,996	10,568	(162)	10,406
Not past due	9,762	(6)	9,756	9,418	(4)	9,414
Past due 1 to 60 days	1,073	(4)	1,069	866	(6)	860
Past due 61 to 180 days	179	(14)	165	138	(12)	126
Past due 181 to 360 days	22	(20)	2	37	(34)	3
More than 360 days	84	(80)	4	109	(106)	3
Total	11,120	(124)	10,996	10,568	(162)	10,406

Expected credit losses

(DKKm)	2022	2021
At 1 January	(162)	(299)
Foreign exchange adjustments	6	1
Divestments	2	0
Additions	(59)	(45)
Unused amounts reversed	74	120
Unrecoverable amounts written off	15	64
Reclassification to Assets held for sale	-	(3)
At 31 December	(124)	(162)

Development in 2022

In 2022, trade receivables increased to DKK 10,996 million (2021: DKK 10,406 million) mainly as a result of organic growth driven by return-to-office trends and food service recovery.

At 31 December 2022, commercial use of factoring with certain large key account customers and participation in certain customers' supply chain finance arrangements was DKK 1.3 billion (31 December 2021: DKK 1.1 billion).

At 31 December 2022, expected credit losses were 1.1% (2021: 1.5%) of trade receivables (gross) and trade receivables not past due was 89% of trade receivables, net (2021: 90%).

2.1 Trade receivables and credit risk (continued)

Exposure to credit risk
- low exposure

The Group's exposure to credit risk is inherently low due to its business model and strategic choices leading to a diversified customer portfolio, both in terms of geography, industry sector, customer size and services. Also, the completion of our divestment programme has contributed to the low risk assessment as higher-risk countries and business units have been divested.

Risk management
Exposure to credit risk and expected credit losses are managed locally in the operating entities.

We have a strong ongoing assessment and monitoring of customers' creditworthiness and the credit limits are set as deemed appropriate taking into account the customer's financial position and the current market conditions.

In 2022, the increased inflation rates were managed tightly through price increases. The vast majority of cost increases were passed on to customers as per the agreed contractual terms with no increase in credit losses.

Generally, the Group does not hold collateral as security for trade receivables.

Accounting policy

Trade receivables comprise invoiced and unbilled revenue. Unbilled revenue represents service deliveries where the performance obligation has been fulfilled, but not yet invoiced.

Trade receivables are recognised initially at the transaction price and subsequently measured at amortised cost. Due to its short-term nature, amortised cost will equal the invoiced amount less expected credit losses.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for grouping of customer segments with similar loss patterns, e.g. by geographical region, customer type and rating. The calculation reflects the probability-weighted outcome, the time value of money, reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Trade receivables are generally written off if they are past due more than 180 days or when there is no reasonable expectation of recovery. Write-offs are presented in Other operating expenses. Subsequent recovery of write-offs or reversal of expected credit losses are credited against the same line item.

Factoring and participation in customers' supply chain finance arrangements (factoring) are mainly used to optimise cash collection and to finance working capital impacts related to growth with certain key account customers, including from general pressure for longer payment terms and necessary investments in transition and mobilisation of such contracts. Trade receivables subject to factoring agreements are derecognised once the derecognition criteria have been met and all substantial risks and rewards have been transferred to the factor. Once the trade receivables have been derecognised, the Group does not carry any risk and has no continuing involvement in these trade receivables.

2.2 Other receivables

(DKKm)	2022	2021
Supplier rebates and bonuses	424	352
Prepayments to suppliers	297	282
Receivable divestment proceeds	114	155
Sign-on fees	110	134
Securities	104	103
Government grants	103	27
Derivatives	50	-
Transition and mobilisation costs	36	62
Other	362	376
Total	1,600	1,491

Supplier rebates and bonuses comprised volume related discounts obtained from suppliers and reflects the Group's efforts to consolidate the number of suppliers and drive synergies and cost savings. The increase in 2022 was due to the general pick-up in activity, especially driven by the return-to-office trends and recovery of food services.

Prepayments to suppliers comprised various payments mainly related to IT licences, utilities and insurance.

Receivable divestment proceeds mainly related to the divestment of Specialized Services in the US, where part of the consideration is subject to customer consent.

Sign-on fees comprised upfront discounts to certain large customers, most significantly in the UK and on certain global key accounts.

Securities related to a savings plan in the US administered by ISS on behalf of certain senior employees.

Government grants related to various receivables, including Covid-19 related, mainly in the US, Spain and Denmark.

Transition and mobilisation costs comprised directly related costs incurred to fulfill the performance obligations under certain large contracts, cf. 1.2, Revenue. The decrease in 2022 was due to ordinary amortisation, mainly in Denmark, Sweden and the UK.

Other comprised refunds from customers, accrued interest, VAT, employee-related taxes and other recoverable amounts.

Significant accounting judgement

Capitalisation of transition and mobilisation costs involves management's judgement to assess if the criteria for capitalisation are fulfilled. Management uses judgement to determine if the costs relate directly to the contract and are incurred in order for ISS to be able to fulfill the contract. In addition, management determines if the costs generate resources that will be used in satisfying the performance obligations and are expected to be recovered, i.e. reflected in the pricing of the contracts.

2.2 Other receivables (continued)

Accounting policy

Other receivables comprise various items of different nature and thus different measurement methods are applied. As these items are considered individually immaterial they are presented together as Other receivables.

Except for the items described below, other receivables are recognised initially at cost and subsequently at amortised cost. Due to the short-term nature of other receivables, amortised cost will equal the cost.

Transition and mobilisation costs (costs to fulfill a contract) comprise costs directly related to startup of operations of certain large contracts, e.g. transfer of employees from previous suppliers, site due diligence, planning and developing service plans. The costs include internal direct costs and external costs e.g. to consultants.

Transition and mobilisation costs are capitalised and amortised over the initially secured contract term consistent with ISS's transfer of the related services to the customer. Bid-related costs, including costs relating to sales work and securing contracts, are expensed as incurred.

Sign-on fees comprise upfront discounts to certain large customers incurred in the ordinary course of business. Sign-on fees are capitalised and amortised over the initial secured contract term consistent with ISS's transfer of the related services to the customer.

Securities and derivatives are recognised at fair value.

2.3 Other liabilities

(DKKm)	2022	2021
Accrued wages, pensions and holiday allowances	5,389	4,616
Tax withholdings, VAT etc.	1,666	2,211
Debt to companies within the ISS Group	1,410	1,245
Prepayments from customers	805	868
Saving plans	104	103
Contingent consideration and deferred payments	12	31
Other	528	675
Total	9,914	9,749

Saving plans related to a plan in the US which is administered by ISS on behalf of certain senior employees.

Other comprised comprised customer discounts, accrued interests, etc.

2.4 Changes in working capital

(DKKm)	2022	2021
Changes in inventories	(61)	4
Changes in receivables	(870)	(136)
Changes in payables	1,338	1,171
Total	407	1,039

2.5 Provisions, contingent assets and liabilities, and guarantees

ISS is exposed to various risks and uncertainties, and party to certain disputes, claims, investigations and legal proceedings arising out of the normal conduct of its business. These are mainly within the following areas:

- Commercial/contractual matters
- Labour-related
- Divestments and M&A
- Tax/social regulations

Provisions have been recognised in relation to such obligations for probable losses, that management deems reasonable and appropriate at 31 December 2022 as reflected in the table to the right.

In addition, ISS is exposed to possible obligations in relation hereto as described below under 2.5.2, Contingent assets and liabilities.

2.5.1 Provisions

Legal claims and disputes

The provision primarily relates to labour-related claims and disputes regarding wages, overtime, holiday, severance etc. as well as claims and disputes in relation to contractual disagreements with customers and suppliers. In addition, the provision includes claims and disputes associated with our divestment activities. Such claims and disputes arise out of the normal conduct of business. At 31 December 2022, the majority related to the UK, the US, France and Spain.

Self-insurance

The provision for self-insurance mainly relates to employers' liability and/or workers compensation in certain countries and covers claims by employees for medical benefits and lost wages associated with injuries/illness incurred in the course of their employment. The relevant countries, including self-insurance limits are listed below:

- Hong Kong: DKK 26.8m (2021: DKK 25.2m) yearly
- UK: DKK 25.2m (2021: DKK 26.6m) yearly aggregated limit and DKK 4.2m (2021: DKK 4.4m) per claim
- Australia: DKK 4.7m (2021: DKK 3.6m) per claim
- US: DKK 3.5m (2021: DKK 3.3m) per claim

The provision also includes obligations not covered by the global general business liability insurance in relation to damage caused in the ordinary course of service delivery, e.g. property damage and bodily injury. The Group is self-insured for claims below DKK 7.4 million (EUR 1 million per claim).

Restructuring projects

The provision mainly covers restructuring projects initiated in 2020 in several countries. The purpose was to adjust our cost base on the back of Covid-19 and involved overhead reductions, including termination of employees and contract exits.

In 2022, execution of the projects continued, which led to a decrease of DKK 303 million mainly due to severance payments in Germany, France and Spain.

Onerous contracts

The provision covers the unavoidable costs for certain loss-making contracts. The increased inflation during 2022, and resulting cost increases, was generally managed through price increases and cost reductions. Consequenly, inflation did not lead to identification of any significant new onerous contracts or increased provision for contracts already recognised as onerous.

In 2022, the decrease of DKK 253 million was mainly related to the exit from the Danish Defence contract, including payment of an exit fee, termination of lease obligations and disposal of equipment as well as utilisation of the provision for a key account contract in Hong Kong. Furthermore, in France and the UK improvement initiatives on a few minor loss-making contracts led to reversal of amounts provided in prior years.

At 31 December 2022, the remaining provision related to a key account contract in Hong Kong and a few minor contracts in a few countries.

2.5 Provisions, contingent assets and liabilities, and guarantees (continued)

Other provisions

Other provisions comprise various other risks and obligations incidental to our business, most significantly related to divestments and customer and contract-related risks and disputes and decommissioning liabilities.

In 2022, the addition was mainly due to recognition of a withdrawal liability on a multiemployer plan in the US related to the divestment of Specialized Services in 2021.

At 31 December 2022, the provision mainly related to Germany, the US, UK and France.

(DKKm)	Legal claims and disputes	Self-insurance	Restruc-turings	Onerous contracts	Other	Total
2022						
At 1 January	235	262	374	330	515	1,716
Foreign exchange adjustments	(9)	6	-	3	4	4
Additions	109	142	6	15	99	371
Used during the year	(41)	(149)	(263)	(191)	(90)	(734)
Unused amounts reversed	(28)	(15)	(46)	(80)	(8)	(177)
Reclass (to)/from other liabilities	2	(1)	-	-	(110)	(109)
At 31 December	268	245	71	77	410	1,071
Non-current	47	129	-	23	266	465
Current	221	116	71	54	144	606
2021						
At 1 January	133	261	787	285	460	1,926
Foreign exchange adjustments	(6)	15	4	6	7	26
Additions	141	225	7	73	45	491
Used during the year	(62)	(232)	(373)	(21)	(11)	(699)
Unused amounts reversed	(55)	(2)	(52)	(16)	(10)	(135)
Reclass (to)/from other liabilities	84	(5)	1	3	24	107
At 31 December	235	262	374	330	515	1,716
Non-current	121	127	142	78	287	755
Current	114	135	232	252	228	961

2.5.2 Contingent assets and liabilities

ISS is party to pending disputes, claims, investigations and litigations arising out of the normal conduct of its business and is therefore exposed to possible obligations. Management believes that these will not have a material impact on the Group's financial position eyond the assets and liabilities recognised in the statement of financial position at 31 December 2022. However, the existence of such possible obligations will only be confirmed by the occurrence of future events, not entirely within ISS's control. Due to the inherent uncertainty, future events may lead to material adverse effects on the Group's profit or loss and financial position from one or more of these possible obligations.

Contractual disagreements

Contractual disagreements with customers arise on a recurring basis in the ordinary course of ISS's business. While most are resolved as part of the daily contract management procedures, in some cases the contractual disagreements will lead to legal proceedings.

The Group is currently party to certain disputes and legal proceedings, including in relation to the contract with Deutsche Telekom. The contract continues to be structurally challenging. Following an agreed dispute resolution mechanism, certain contractual disagreements are subject to arbitration proceedings initiated by ISS.

2.5 Provisions, contingent assets and liabilities, and guarantees (continued)

Labour-related risks

Being a people company operating across different geographies and service areas exposes us to varying and changing labour laws, especially across Europe. Although we have policies and procedures in place to ensure that we comply with current regulations, interpretations and procedures applied by ISS could be challenged in certain jurisdictions and result in disputes and possibly liabilities.

The Group is currently party to certain labourrelated claims, disputes and legal proceedings, e.g. around wages, overtime, holiday and severance. Management believes that these would not have a material impact on the Group's financial position beyond the assets and liabilities already recognised at 31 December 2022.

Divestments

The Group makes provisions for claims from purchasers or other parties in connection with divestments and the representations and warranties given in relation to such divestments. In addition, the Group's divestment activities can give rise to possible obligations, mainly labour-related, including pension plans, and related to disputes in relation to sales price.

Restructuring projects

Restructuring projects are being undertaken on an ongoing basis across different geographies and service areas, currently mainly in Germany, France and Spain. Labour laws especially in Europe include restrictions on dismissals and procedural rules to be followed. The procedures applied by ISS could be challenged in certain jurisdictions resulting in disputes and possibly liabilities. Management believes that this would not have a material impact on the Group's financial position beyond the assets and liabilities already recognised at 31 December 2022.

2.5.3 Guarantees

ISS has issued certain guarantees in the normal course of business. Guarantees do not represent legal or constructive obligations and are not recognised in the statement of financial position at 31 December 2022.

(DKKm)	2022	2021
Bank-guaranteed performance bonds	1,755	1,761
Other performance bonds	1,831	1,819
Performance guarantees (service contracts)	**3,586**	**3,580**
Indemnity and guarantee commitments	**472**	**479**

Performance guarantees

ISS regularly issues performance guarantees to customers to guarantee satisfactory completion of work in accordance with the service contract. Such guarantees are issued in the ordinary course of business, either in the form of bank guarantees, parent guarantees or insurances.

Indemnity and guarantee commitments

Other guarantees are mainly issued to insurance companies towards self-insurance liabilities as well as to owners of rental property occupied by ISS in certain countries. Furthermore, in a few instances guarantees have been issued to public authorities towards tax withholding liabilities.

2.5 Provisions, contingent liabilities and guarantees (continued)

Significant accounting estimates and judgement

Our strategic choice to focus on key accounts increasingly leads to a customer case comprising large, more complex contracts in terms of performance obligations towards our customers. Additionally, the size and complexity of such contracts often requires ISS to incur significant transition and mobilisation costs before service delivery commences to enable fulfillment of the performance obligations. Furthermore, complex restructuring projects may need to be initiated and recognised as a provision.

Onerous contracts Management assesses whether contracts may be onerous by estimating the expected future profitability. This involves estimating total contract revenue and the unavoidable costs of meeting the performance obligations under the contract, including any transition and mobilisation costs incurred. In estimating the expected future profitability, management makes judgements, including in relation to termination and extension options.

Certain contracts are large, complex and longer term facility service partnerships. In estimating unavoidable costs in relation to such contracts, management makes assumptions around future realisation of costs taking estimated optimisations and efficiency gains from improvement initiatives into consideration. While ISS has inherent risk in this respect, ISS is by nature also dependent on aligning interest with the customer within the framework of the agreement for the benefit of both parties. The outcome may vary significantly should the assumptions and judgements applied not be realised as expected by management and applied as basis for their assessment of whether a contract is onerous.

Restructurings and other provisions Management makes judgements related to various other matters and obligations, primarily relating to planned/initiated restructurings, and complex customer and contract-related risks and disputes, including ongoing lawsuits. Management's assessment of the likely outcome of lawsuits, tax disputes, etc., is based on external legal assistance and established precedents.

For large, complex contracts, the outcome may vary significantly should the judgements and assumptions applied by management in their assessment of the risks and disputes not be realised as expected.

2.5 Provisions and contingent liabilities (continued)

Accounting policy

Provisions

Provisions are recognised when the Group, as a result of a past event, has a present legal or constructive obligation, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The costs required to settle the obligation are discounted using the entity's average borrowing rate, if this significantly impacts the measurement of the liability.

Legal disputes and claims, e.g. lawsuits and other disputes, based on external legal assistance and established precedents.

Self-insurance on employers' liability and/or workers compensation based on valuations from external actuaries.

Restructurings when a detailed, formal restructuring plan is announced to the affected parties on or before the reporting date. The plan must identify the business concerned, the location and number of employees affected, and a detailed estimate of the associated costs, as well as the timeline must be in place.

Onerous contracts, when the unavoidable costs, including directly allocated overhead costs, of meeting the obligations under the contract exceed the economic benefits expected to be received under it, corresponding to the lower of the costs to fulfil the obligations under the contract and the costs of exiting the contract.

Customer and contract-related disputes based on an assessment of available facts and circumstances in respect of the specific risks or disputes, when it is deemed that a contractual, non-contractual or constructive obligation exists, and it is probable that this will lead to an outflow of economic resources from the Group.

Decommissioning liability, if the Group has a legal obligation to dismantle or remove an asset or restore a site or leased facilities when vacated. The provision corresponds to the present value of expected costs to settle the obligation.

The present value of the obligation is included in the cost of the relevant tangible or right-of-use asset and depreciated accordingly. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the relevant asset.

Contingent assets and liabilities

Contingent liabilities comprise:

1) possible obligations that arise from a past event and whose existence will only be confirmed by the occurrence or non-occurrence of future events; and

2) obligations that are not recognised as the amount cannot be measured sufficiently reliable or it is not probable that economic benefits will be required to settle the obligation.

Contingent assets are possible assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of the entity.

Contingent assets and liabilities are not recognised, but disclosed in the notes.

2.6 Right-of-use assets and property, plant and equipment

(DKKm)	Right-of-use assets: Properties	Right-of-use assets: Vehicles	Right-of-use assets: Other	Right-of-use assets: Total	Property, plant and equipment
2022					
Cost at 1 January	2,484	1,296	577	4,357	3,381
Foreign exchange adjustments	4	(9)	(34)	(39)	(39)
Hyperinflation restatement	-	20	57	77	183
Additions	264	309	187	760	344
Acquisitions	5	34	-	39	7
Divestments	-	-	-	-	(16)
Disposals	(195)	(251)	(81)	(527)	(654)
Cost at 31 December	2,562	1,399	706	4,667	3,206
Depreciation at 1 January	(1,038)	(663)	(279)	(1,980)	(2,485)
Foreign exchange adjustments	(1)	7	18	24	31
Hyperinflation restatement	-	(7)	(13)	(20)	(107)
Impairment	-	-	-	-	(22)
Depreciation	(388)	(352)	(133)	(873)	(373)
Divestments	-	-	-	-	15
Disposals	195	251	81	527	626
Depreciation at 31 December	(1,232)	(764)	(326)	(2,322)	(2,315)
Carrying amount at 31 December	1,330	635	380	2,345	891
2021					
Cost at 1 January	2,313	1,301	673	4,287	3,568
Prior year adjustments	(117)	(203)	(94)	(414)	-
Foreign exchange adjustments	51	17	(46)	22	45
Additions	347	369	140	856	308
Acquisitions	-	-	6	6	27
Divestments	-	-	-	-	(122)
Disposals	(127)	(195)	(96)	(418)	(489)
Reclass	-	(8)	-	(8)	8
Reclass (to)/from Assets held for sale	17	15	(6)	26	36
Cost at 31 December	2,484	1,296	577	4,357	3,381
Depreciation at 1 January	(819)	(682)	(353)	(1,854)	(2,545)
Prior year adjustments	117	203	94	414	-
Foreign exchange adjustments	(18)	(12)	21	(9)	(57)
Impairment	(32)	-	-	(32)	(5)
Depreciation	(402)	(365)	(141)	(908)	(419)
Divestments	-	-	-	-	109
Disposals	126	195	95	416	456
Reclass	(10)	(2)	5	(7)	(24)
Depreciation at 31 December	(1,038)	(663)	(279)	(1,980)	(2,485)
Carrying amount at 31 December	1,446	633	298	2,377	896

2.6 Right-of-use assets and property, plant and equipment (continued)

ISS is a people business operating based on an asset light business model. Operating assets (leased and owned) comprised only 7% of the Group's total assets at 31 December 2022. Our model is based on leasing, rather than owning, property, vehicles and equipment.

Right-of-use assets

At 31 December 2022, ISS was party to around 18,500 lease agreement of which the majority related to vehicles, whereas in terms of asset value, the main part related to property.

Additions amounted to DKK 760 million in 2022, which was impacted by new country head office leases in Austria and Singapore and extensions in a few other countries. This was slightly lower than 2021 where additions of DKK 856 million included new head office leases in France and Norway and additional new vehicle leases due to contract wins in the UK, Germany, Norway, Mexico and Finland.

Property plant and equipment

Additions of DKK 344 million in 2022 primarily related to equipment for new and existing contracts and was broadly in line with 2021.

Lease liability

The carrying amount of lease liabilities and the movements in the year are disclosed in 4.2, Loans and borrowings. The maturity profile is disclosed in 4.6, Liquidity risk.

Lease-related costs in profit or loss

(DKKm)	2022	2021
Depreciation of right-of-use assets	873	908
Interest expenses on lease liabilities	81	67
Leases of low-value assets	203	168
Short-term leases	87	88
Variable lease payments	11	13
Recognised in profit or loss	1,255	1,244
Hereoff cash outflow	382	336

Significant accounting judgement

Lease term Lease term Several of ISS's lease contracts (office buildings) have no contractual fixed lease term or contains an extension option. Management exercises judgement in determining whether these extension options are reasonably certain to be exercised. Management considers all relevant facts and circumstances that create an economic incentive for the Group to exercise the extension option.

The lease term for contracts without an end date is set to ten years for head office and accessory buildings, whereas all other leases with no definite end date are set to five years.

2.6 Right-of-use assets and property, plant and equipment (continued)

Accounting policy

Right-of-use assets are recognised at the commencement date of the lease and measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities, including extension options.

Cost comprises the amount of lease liabilities recognised, initial direct costs, dismantling and restoration costs incurred and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset.

	Estimated useful life
Properties	5-10 years
Cars	3-5 years
Other equipment	2-5 years

Certain leases have a term of 12 months or less or are leases of low-value assets, such as minor cleaning and IT equipment and office furniture. The recognition exemptions are applied for these leases and lease payments are recognised in Other operating expenses on a straight-line basis over the lease term.

Property, plant and equipment is measured at cost, less accumulated depreciation and impairment losses.

Cost comprises the purchase price and costs directly attributable to the acquisition until the date when the asset is ready for use. The net present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset is located is added to the cost.

Subsequent costs, e.g. for replacing parts of an item, are recognised in the cost of the asset if it is probable that the future economic benefits embodied by the item will flow to the Group. The carrying amount of the item is derecognised when replaced and transferred to profit or loss. All other costs for common repairs and maintenance are recognised in profit or loss when incurred.

Depreciation is based on the cost of an asset less its residual value. When parts of an item of property, plant and equipment have different useful lives, they are accounted for separately. The estimated useful life and residual value are determined at the acquisition date. If the residual value exceeds the carrying amount depreciation is discontinued.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

	Estimated useful life
Plant and equipment	3-10 years
Leasehold improvements (lease term)	3-10 years
Buildings	20-40 years

Land is not depreciated.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

Gains and losses arising on the disposal or retirement of property, plant and equipment are measured as the difference between the selling price less direct sales costs and the carrying amount, and are recognised in Other operating expenses in the year of sale, except gains and losses arising on disposal of property, which are recognised in Other income and expenses, net.

2.7 Free cash flow

Free cash flow as defined by management, cf. 8.5, Definitions, is summarised below. Free cash flow is not a financial performance measure defined by IFRS. Accordingly, the measure and its calculation is presented as it is used by management as an alternative performance measure in managing the business.

The free cash flow measure should not be considered a substitute for those measures required by IFRS and may not be calculated by other companies in the same manner. As such, reference is made to the IFRS measures included in the consolidated statement of cash flows of the consolidated financial statements.

(DKKm)	2022	2021
Cash flow from operating activities	3,020	3,221
Acquisition of intangible assets and property, plant and equipment	(616)	(466)
Disposal of intangible assets and property, plant and equipment	28	42
Acquisition of financial assets, net [1)]	(52)	(30)
Addition of right-of-use assets, net [2)]	(764)	(867)
Free cash flow	1,616	1,900

[1)] Excluding investments in equity-accounted investees which in 2022 was DKK (22) million (2021: DKK (24) million).

[2)] Including DKK 4 million (2021: DKK 13 million) related to discontinued operations, cf. 2.6, Right-of-use assets and property, plant and equipment.

SECTION 3

Strategic investments and divestments

3.1 Intangible assets

(DKKm)	Goodwill	Brands	Customer contracts	Software and other	Total
2022					
Cost at 1 January	17,492	53	4,039	1,445	23,029
Foreign exchange adjustments	(35)	6	(47)	(8)	(84)
Hyperinflation restatement	644	-	235	5	884
Additions	-	-	-	263	263
Acquisitions	203	-	161	-	364
Divestments	(30)	-	(1)	(2)	(33)
Disposals	-	-	(93)	(116)	(209)
Cost at 31 December	18,274	59	4,294	1,587	24,214
Amortisation and impairment losses at 1 January	(2,429)	(49)	(3,442)	(1,054)	(6,974)
Foreign exchange adjustments	8	(6)	(22)	7	(13)
Hyperinflation restatement	-	-	(2)	(3)	(5)
Amortisation	-	(4)	(63)	(115)	(182)
Impairment	-	-	(2)	(3)	(5)
Divestments	-	-	1	2	3
Disposals	-	-	93	115	208
Amortisation and impairment losses at 31 December	(2,421)	(59)	(3,437)	(1,051)	(6,968)
Carrying amount at 31 December	15,853	-	857	536	17,246
2021					
Cost at 1 January	17,065	49	3,669	1,495	22,278
Foreign exchange adjustments	282	4	11	19	316
Additions	-	-	-	114	114
Acquisitions	97	-	428	7	532
Divestments	(19)	-	(106)	(1)	(126)
Disposals	-	-	(12)	(174)	(186)
Reclass to Assets held for sale	67	-	49	(15)	101
Cost at 31 December	17,492	53	4,039	1,445	23,029
Amortisation and impairment losses at 1 January	(1,972)	(36)	(3,345)	(1,015)	(6,368)
Foreign exchange adjustments	2	(3)	(117)	(15)	(133)
Amortisation	-	(10)	(54)	(180)	(244)
Impairment	(459)	-	-	(23)	(482)
Divestments	-	-	101	1	102
Disposals	-	-	12	169	181
Reclass to Assets held for sale	-	-	(39)	9	(30)
Amortisation and impairment losses at 31 December	(2,429)	(49)	(3,442)	(1,054)	(6,974)
Carrying amount at 31 December	15,063	4	597	391	16,055

3.1 Intangible assets (continued)

Hyperinflation restatement Implementation of IAS 29 in Turkey led to a significant increase of the Group's intangible assets, in total DKK 879 million, net. The increase related to goodwill (DKK 644 million), customer contracts (DKK 233 million) and software (DKK 2 million). Further details are provided in 7.2, Hyperinflation in Turkey.

Livit FM, Switzerland The acquisition in October 2022 added DKK 347 million to the Group's intangibles relating to goodwill (DKK 191 million) and customer contracts (DKK 156 million). Further details are provided in 3.3, Acquisitions.

Significant accounting judgement

Cloud-based arrangement At the commencement date, management assesses whether the Group acquires an intangible asset, a leased asset or receives a service over the term of the contract. If the Group receives a right to access the cloud provider's application without further rights or control it is neither a lease nor an intangible asset. However, the Group may acquire an intangible asset if the Group has the contractual right to take possession of the software during the contract period without significant penalty and it is feasible for the Group to run the software on its own hardware or with another cloud provider.

In SaaS arrangements, where the provider controls the application software, the assessment of whether configuration or customisation of the software results in an intangible asset for the Group depends on the output of the configuration or customisation activities performed. Part of the activities undertaken may entail the development of software code that enhances or modifies, or creates additional capability to the existing on-premise software to enable it to connect with the cloud-based software applications. If activities are performed on the Group's infrastructure and applications, they likely represent assets that the Group controls because they enhance, improve or customise existing software assets.

3.1 Intangible assets (continued)

Accounting policy

Goodwill is initially recognised at cost and subsequently at cost less accumulated impairment losses. Goodwill is not amortised. Goodwill relates mainly to assembled workforce, technical expertise and technological knowhow.

Acquisition-related brands and customer contracts are recognised at fair value at the acquisition date. Subsequently, brands with indefinite useful lives are measured at cost less accumulated impairment losses. Brands with finite useful lives and customer contracts are measured at cost less accumulated amortisation and impairment losses.

Acquired software and other intangible assets are measured at cost less accumulated amortisation and impairment losses. The cost of software developed for internal use includes external costs to consultants and software as well as internal direct and indirect costs related to the development. Other development costs for which it cannot be demonstrated that future economic benefits will flow to the Group are recognised in profit or loss as and when incurred.

Amortisation of intangible assets with finite useful lives is calculated on a straight-line basis over the estimated useful lives except for certain customer contracts where the unit of production method better reflects the expected pattern of consumption.

	Estimated useful life
Brands (finite useful life)	2-5 years
Customer contracts	10-24 years
Software and other	5-10 years

Amortisation methods and useful lives are reassessed at the reporting date and adjusted prospectively, if appropriate.

Cloud-based arrangements Software within a cloud-based arrangement is recognised as either an intangible asset, a leased asset or as a service received (Software as a Service) based on the contact and facts and circumstances of the software.

Software as a Service (SaaS) arrangements are service contracts providing the Group with the right to access a cloud provider's application software over the contract period.

Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider’s application software are recognised as Other operating expenses when the services are received. Also, internal costs such as costs related to selection of cloud provider, data conversion, training and testing are expensed as incurred in Other operating expenses.

In some arrangements, certain configuration and customisation activities undertaken in implementing SaaS arrangements may give rise to a separate asset, i.e. the development of a software code that enhances, modifies or creates additional capability to the Group’s existing on-premise systems. Costs incurred for these activities are recognised as intangible assets if they are identifiable and meet the recognition criteria and amortised over the useful life of the software similar to other intangible assets.

3.2 Impairment tests

3.2.1 Impairment test results

The impairment tests of goodwill and customer contracts performed at 31 December 2022 did not result in recognition of impairment losses (2021: DKK 459 million in France).

Except for France, it is management's opinion that excess values in the Group's CGUs are fairly resilient to any likely and reasonable deteriorations in the key assumptions applied.

France is further described on p. 65.

3.2.2 Goodwill and customer contracts

The carrying amounts of intangibles for CGUs representing more than 5% of intangibles, or CGUs considered to be at high risk of impairment are disclosed below.

	2022			2021		
(DKKm)	Goodwill	Customer contracts	Total	Goodwill	Customer contracts	Total
US & Canada	2,197	155	2,352	2,068	161	2,229
UK & Ireland	1,681	99	1,780	1,807	121	1,928
Finland	1,653	-	1,653	1,653	-	1,653
Switzerland	1,414	157	1,571	1,159	-	1,159
Australia & NZ	1,315	2	1,317	1,324	4	1,328
Turkey	849	434	1,283	262	295	557
Spain	1,005	1	1,006	1,005	1	1,006
France	936	-	936	936	-	936
Other	4,803	9	4,812	4,849	15	4,864
Total	15,853	857	16,710	15,063	597	15,660

Cash-generating units (CGUs)

Consistent with the Group's management and reporting structure, the lowest level of CGUs is the individual countries, as cash inflows are generated largely independent of cash inflows in other ISS countries (the majority of our contract portfolio is locally based with no cross-border activities). Accordingly, impairment tests are carried out per country, and intangibles (i.e. goodwill and customer contracts) are allocated to these.

Management of certain countries has been combined to take advantage of similarities in terms of markets, shared customers and cost synergies. In such exceptional cases, the countries are regarded as one CGU when performing the impairment test.

Calculating Recoverable amounts

The recoverable amount of each CGU is calculated on the basis of its value-in-use using certain key assumptions per CGU, i.e. revenue growth, operating margin and discount rate as shown in the table to the right.

Value-in-use cash flow projections for the individual CGUs are based on financial forecasts for the following year as approved by management. Assumptions applied in the short to medium term (forecasting period of five years) generally reflect management's expectations considering all relevant factors, including the Group's strategic initiatives, local initiatives, past experience and external sources of information, where possible and relevant. This also includes expected development in local markets in terms of competition, inflation and growth.

More specifically, management has considered the expected impacts from the OneISS strategic priorities, especially around continued key account focus, investments in technology and the global operating model. Where relevant, initiated restructurings and other improvement initiatives, have also been taken into consideration when estimating the expected future performance and cash flows.

3.2 Impairment tests (continued)

In 2022, the Group reached its turnaround target following improved financial performance in the UK, on the Deutsche Telekom contract and with the exit from the Danish Defence contract. Management carefully considered the expected continued improvement to ensure that it is properly reflected in determining the key assumptions for the specific CGUs.

Management also ensured that financial forecasts and assumptions applied reflect the expected macroeconomic developments, which in 2022 primarily related to the impact from increased interest and inflation rates. During the year, the Group demonstrated its ability to manage and mitigate price increases in the supply chain, including activating indexation mechanisms in the contract portfolio to pass on price increases to our customers. Furthermore, the impact from Covid-19 recovery in 2022 has been considered.

Assumptions applied in the terminal period generally reflect management's long-term expectations for the individual country. Revenue growth reflects inflation and GDP growth and is determined based on input from external sources like IMF's "World Economic Outlook". Operating margin reflects the expected normalised earnings level in the long term.

Corporate costs for the services performed by the Group's head office functions for the benefit of the CGUs are allocated to the individual CGUs and taken into account in the calculation of the recoverable amount.

Key assumptions [1]	Description
Revenue growth	*Year 1* • Financial forecasts as approved by management *Forecasting period (year 2-5)* • Based on expected market development, including maturity and inflation • Impact from local and Group initiatives are considered, including key account focus *Terminal period* • Long term expectations based on IMF "World Economic Outlook" • *Not exceeding expected long-term average for the country, including inflation*
Operating margin	*Year 1* • Financial forecasts as approved by management *Forecasting period (year 2-5)* • Impact from local and Group initiatives are considered, including key account focus and investments in technology and the global operating model • Restructurings and other local improvement initiatives are considered *Terminal period* • Reflects the expected normalised earnings level in the long term
Discount rates (net of tax)	• Risk-free interest rate based on 10-year government bonds (country-specific) • Premium added to adjust for the inconsistency of applying government bonds with a short-term maturity when discounting cash flows with infinite maturity • Country specific estimation risk premium added (to reflect possible variations in amounts/timing of the projected cash flows) • Equity risk premium: 6.0% (2021: 6.5%) • Debt/equity target ratio (market values): 25/75 (2021: 25/75)

[1] The key assumptions applied are used for accounting purposes and should not be considered a forward-looking statement within the meaning of the US Private Securities Litigation Act of 1995 and similar laws in other countries regarding expectations to the future development.

3.2 Impairment tests (continued)

Sensitivity analysis

A sensitivity analysis on the key assumptions in the impairment testing is presented below. The allowed change represents the percentage points by which the specific key assumption can change, all other things being equal, before the CGU's recoverable amount equals its carrying amount.

France During 2022, the original restructuring and cost optimisation programme was finalised, though with a lower impact than initially anticipated, in part due to exposure to certain industry segments with slow Covid-19 recovery and muted commercial momentum. At the same time, interest rates and inflation rates increased significantly during the year. Thus, organic growth and operating margin for the year were realised below target.

In the late part of 2022, the country leadership team was strengthened with a new country manager and enhanced commercial and operational resources to strengthen the execution of improvement initiatives already planned and initiated. In addition, in December 2022 the French parliament announced a gradual abolition of the CVAE (value-added tax of 1.5% of revenue) with partial effect in 2023 and full effect from 2024.

As a result of these significant internal and external circumstances and developments in 2022, management updated the business plan, which in general reflects a slower pace in reaching a sustainable operating margin of 5.0%. The impairment test at 31 December 2022 based on the updated business plan did not result in recognition of an impairment loss. The excess value continues to be limited though slightly improved as a result of the gradual abolition of the CVAE tax.

Turkey The implementation of IAS 29 resulted in an increase in the carrying amount of goodwill and customer contracts of DKK 0.9 billion. The impairment test at 31 December 2022 based on the updated business plan reflecting the current inflationary environment, did not result in recognition of an impairment loss.

		Forecasting period				Terminal period				Discount rate, net of tax		
		Growth		Margin [1]		Growth		Margin [1]				
(DKKm)	Carrying amount	Avg.	Allowed decrease	Avg.	Allowed decrease	Rate	Allowed decrease	Rate	Allowed decrease	Rate	Allowed increase	Pre-tax rate
2022												
US & Canada	2,352	6.1 %	>6.1 %	5.8 %	>5.8 %	3.0 %	>3.0 %	6.0 %	2.7 %	10.7 %	4.8 %	13.9 %
UK & Ireland	1,780	4.8 %	>4.8 %	5.1 %	>5.1 %	3.0 %	>3.0 %	6.0 %	4.1 %	10.2 %	8.7 %	12.9 %
Finland	1,653	1.9 %	>1.9 %	6.2 %	5.3 %	2.5 %	2.5 %	6.2 %	1.8 %	8.6 %	1.9 %	10.5 %
Switzerland	1,571	2.3 %	>2.3 %	7.5 %	>7.5 %	2.0 %	>2.0 %	7.5 %	6.9 %	7.0 %	>7.0 %	8.3 %
Australia & NZ	1,317	2.8 %	>2.8 %	5.6 %	>5.6 %	2.5 %	>2.5 %	5.6 %	3.7 %	9.9 %	9.6 %	14.1 %
Turkey	1,283	36.0 %	17.6 %	8.4 %	>8.4 %	10.0 %	>10.0 %	8.0 %	5.4 %	21.9 %	10.7 %	27.3 %
Spain	1,006	4.4 %	>4.4 %	6.3 %	>6.3 %	2.5 %	>2.5 %	6.5 %	4.4 %	9.0 %	8.0 %	11.5 %
France	936	1.8 %	1.8 %	0.2 %	1.2 %	2.5 %	0.7 %	5.0 %	0.4 %	9.4 %	0.6 %	11.4 %
2021												
US & Canada	2,229	13.1 %	>13.1 %	6.8 %	>6.8 %	3.0 %	>3.0 %	6.8 %	4.6 %	9.0 %	8.7 %	11.6 %
UK & Ireland	1,928	3.9 %	>3.9 %	4.6 %	>4.6 %	2.5 %	>2.5 %	6.0 %	4.7 %	8.7 %	>8.7 %	11.3 %
Finland	1,653	1.7 %	>1.7 %	6.4 %	>6.4 %	2.0 %	>2.0 %	6.5 %	2.9 %	7.3 %	3.5 %	9.1 %
Australia & NZ	1,328	2.2 %	>2.2 %	6.1 %	>6.1 %	2.5 %	>2.5 %	6.1 %	4.1 %	8.7 %	>8.7 %	12.3 %
Switzerland	1,159	1.5 %	>1.5 %	7.1 %	>7.1 %	1.5 %	>1.5 %	7.1 %	6.2 %	6.3 %	>6.3 %	7.6 %
Spain	1,006	0.4 %	>0.4 %	5.9 %	>5.9 %	2.0 %	>2.0 %	6.5 %	3.1 %	7.7 %	4.3 %	10.2 %
France	936	1.4 %	0.2 %	3.3 %	0.2 %	2.0 %	0.1 %	5.0 %	0.1 %	8.9 %	0.1 %	13.7 %
Sweden	807	3.3 %	>3.3 %	5.5 %	>5.5 %	2.0 %	>2.0 %	6.2 %	5.5 %	8.0 %	>8.0 %	10.0 %
Belgium & Lux	788	3.6 %	>3.6 %	5.7 %	>5.7 %	2.0 %	>2.0 %	6.0 %	3.6 %	7.3 %	6.4 %	9.8 %

[1] Excluding allocated corporate costs.

3.2 Impairment tests (continued)

Significant accounting estimates

In performing the impairment test, management assesses whether the CGU to which the intangibles relate will be able to generate positive net cash flows sufficient to support the value of intangibles and other net assets. The assessment is based on estimates of expected future cash flows (value-in-use) for the individual GCU, which by nature are uncertain.

Estimates are made using financial forecasts for the following year as approved by management, and estimated discount rates, growth and market developments. Assumptions applied in the short to medium term (forecasting period of five years) generally reflect management's expectations considering all relevant factors, including estimated optimisations and efficiency gains from improvement initiatives, past experience and external sources of information, where possible and relevant.

Terminal growth rates and margins applied reflects management's long-term expectations for revenue growth for the individual CGUs, including inflation, and normalised earnings, respectively.

The outcome of the impairment test may vary significantly should the assumptions, estimates and judgements not be realised as expected and applied as basis for management's conclusion of whether impairment of a CGU has occurred.

Accounting policy

Intangible assets with an indefinite useful life, i.e. goodwill, are subject to impairment testing annually or when circumstances indicate that the carrying amount may not be recoverable. Other non-current assets are tested annually for indications of impairment.

If an indication of impairment exists, the recoverable amount of the asset is determined, i.e. the higher of the fair value of the asset less anticipated costs of disposal and its value-in-use. The value-in-use is calculated as the present value of expected future cash flows from the asset or the CGU to which the asset belongs.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the CGU to which goodwill is allocated.

An impairment loss is recognised in the statement of profit or loss in a separate line if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

Impairment of goodwill is not reversed. Impairment of other assets is reversed if estimates used to calculate the recoverable amount have been changed. An impairment loss is reversed to the extent that the carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

3.3 Acquisitions

3.3.1 Acquisition impact

(DKKm)	Livit FM	Prior year adj.	2022	2021
Customer contracts	156	5	161	428
Other non-current assets	48	-	48	26
Trade receivables	10	(13)	(3)	184
Other current assets	50	-	50	105
Non-current liabilities	(76)	8	(68)	(112)
Current liabilities	(42)	(6)	(48)	(194)
Fair value of net assets	146	(6)	140	437
Goodwill	191	12	203	97
Consideration transferred	337	6	343	534
Cash in acquired business	(33)	-	(33)	(97)
Consideration transferred, net	304	6	310	437
Contingent and deferred consideration	-	15	15	89
Acquisition of businesses (cash flow)	304	21	325	526

Livit FM

On 27 October 2022, ISS acquired 100% of the shares in Livit FM Services AG (Livit FM), a Swiss facility management company. The acquisition will enable us to expand and develop our service delivery to the real estate industry segment in the Swiss market, as Livit FM services a large part of Swiss Life's properties in Switzerland.

The acquisition will add annual revenue of DKK 402 million and 670 employees (estimated based on unaudited financial information).

During the period 27 October to 31 December 2022, Livit FM contributed revenue of DKK 66 million to the ISS Group.

The purchase consideration amounted to DKK 337 million. Based on provisionally determined fair values of net assets, goodwill amounted to DKK 191 million. Goodwill is attributable mainly to: 1) expertise and know-how in the real estate industry segment, 2) synergies, 3) platform for growth, and 4) assembled work force, and is not deductible for tax purposes.

Prior years adjustments

The adjustments related to the acquisition of Rönesans Facility Management Company in Turkey in 2021. The purchase price allocation of the identified assets, liabilities and contingent liabilities was completed within 12 months of the acquisition date.

Subsequent acquisitions

The Group completed no acquisitions from 1 January to 15 February 2023.

3.3.2 Pro forma revenue and operating profit

Assuming acquisitions and divestments in the year were included/excluded in profit or loss from 1 January 2022, revenue on a pro forma basis would have been DKK 76,845 million compared to reported revenue of DKK 76,558 million. Likewise, operating profit before other items on a pro forma basis would have been DKK 3,751 million compared to reported operating profit before other items of DKK 3,740 million.

Pro forma revenue and operating profit before other items include adjustments relating to acquisitions and divestments estimated by local ISS management at the time of acquisition and divestment or actual results where available. The estimates are based on unaudited financial information.

3.3 Acquisitions (continued)

Accounting policy

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and presented in Other income and expenses, net.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date.

If uncertainties exist at the acquisition date regarding identification or measurement of assets, liabilities and contingent liabilities, initial recognition is based on provisionally determined fair values. Changes to fair values are adjusted against goodwill up until 12 months after the acquisition date and comparative figures are restated accordingly. Thereafter no adjustments are made to goodwill, and changes in fair values are recognised in Other income and expenses, net.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3.4 Divestments, assets held for sale and discontinued operations

3.4.1 Divestments

In 2022, the strategic divestment programme was successfully completed as we divested our activities in three countries in the first half of the year, i.e. Taiwan, Russia and Portugal, as well as two non-core business units, i.e. Waste Management in Hong Kong and Damage Control in the UK.

In November 2022, we also signed an agreement to divest our activities in Brunei – the last country included in the programme. At 31 December 2022, Brunei was therefore the only remaining country classified as held for sale and discontinued operations. The divestment was subsequently completed on 9 February 2023.

Going forward, we will assess the strategic rationale and fit of our business activities on an ongoing basis as part of the Group's ordinary performance reviews. As a result, we may identify new non-core activities to be divested from time to time.

Profit or loss impact

In 2022, our divestment programme resulted in recognition of a net gain in the profit or loss of DKK 243 million (2021: DKK 668 million) of which DKK 103 million were presented in Other income and expenses (see note 1.4) and DKK 140 million were recognised in Net profit from discontinued operations.

Company/activity	Country	Service type	Excluded from P/L	Interest	Annual revenue (DKKm) [1]	Employees (number) [1]
Waste Management	Hong Kong	Technical	February	100%	134	232
ISS Russia	Russia	Country exit [2]	April	100%	112	864
ISS Taiwan	Taiwan	Country exit [2]	April	100%	441	3,092
Damage Control	UK	Technical	May	100%	84	91
ISS Portugal	Portugal	Country exit [2]	July	100%	386	3,843
Total					1,157	8,122

[1] Unaudited

[2] Presented as discontinued operations

Divestment impact

(DKKm)	2022	2021
Goodwill	151	360
Customer contracts	-	5
Other non-current assets	165	337
Current assets	325	504
Non-current liabilities	(24)	(43)
Loans and borrowings	(24)	(134)
Current liabilities	(251)	(239)
Net assets disposed	342	790
Gain/(loss) on divestment, net [1]	207	683
Divestment costs	128	175
Consideration received	677	1,648
Cash in divested businesses	(87)	(130)
Consideration received, net	590	1,518
Contingent and deferred consideration	49	(130)
Divestment costs paid	(52)	(197)
Divestment of businesses (cash flow)	587	1,191

[1] In addition, DKK 36 million was recognised in Other comprehensive income related to recycling of accumulated foreign exchange adjustments on country exits.

3.4 Divestments, assets held for sale and discontinued operations (continued)

Subsequent divestment

On 9 February 2023, the Group completed the divestment of our activities in Brunei (presented as assets held for sale and discontinued operations) with an annual revenue of approximately DKK 44 million and 548 employees.

Apart from the divestment described above, the Group signed or completed no divestments from 1 January to 15 February 2023.

3.4.2 Assets and liabilities held for sale

(DKKm)	2022	2021
Goodwill	11	126
Other non-current assets	12	165
Current assets	9	202
Assets held for sale	**32**	**493**
Non-current liabilities	-	36
Current liabilities	10	244
Liabilities held for sale	**10**	**280**

2022: Incudes Brunei

2021: Includes Brunei, Portugal, Russia and Taiwan

Accounting policy

Divestments Gain or loss on disposal of an operation that is part of a CGU includes a portion of the related goodwill allocated to that CGU. Goodwill related to the disposed operation is measured based on the fair value of the disposed operation relative to the fair value of the entire CGU.

Assets held for sale comprise non-current assets and disposal groups held for sale. Liabilities held for sale are those directly associated with the assets held for sale and disposal groups. Immediately before classification as held for sale, they are remeasured in accordance with the Group's accounting policies. Thereafter, they are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss is first allocated to goodwill, and then pro rata to remaining assets, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Once classified as held for sale, assets are not amortised or depreciated.

Impairment losses on initial classification as held for sale, and subsequent gains and losses on remeasurement are recognised in profit or loss and disclosed in the notes.

Assets held for sale are presented in separate lines of the statement of financial position and specified in the notes. Comparatives are not restated.

A disposal group is presented as discontinued operations if it is a geographical area, i.e. a CGU (country), that either has been disposed of, or is classified as held for sale.

Discontinued operations are presented separately as Net profit from discontinued operations and specified in the notes. Comparatives are restated.

Cash flows from discontinued operations are included in cash flow from operating, investing and financing activities together with cash flows from continuing operations, but separately specified in this note.

3.4 Divestments, assets held for sale and discontinued operations (continued)

3.4.3 Discontinued operations

Profit or loss

(DKKm)	2022	2021
Revenue	385	1,231
Expenses	(354)	(1,144)
Operating profit before other items	31	87
Other income and expenses, net	140	94
Royalty	(8)	(35)
Goodwill impairment	-	(17)
Operating profit	163	129
Financial income/(expenses), net	-	-
Net profit before tax	163	129
Income tax	(4)	(19)
Net profit from discontinued operations	159	110

Cash flows

DKK million	2022	2021
Operating activities	23	36
Investing activities	(70)	(83)
Financing activities	8	(16)

The total net divestment gain of DKK 140 million was mainly related to Taiwan and Portugal. Recycling of accumulated foreign exchange adjustments previously recognised in equity had a positive impact on the net gain of DKK 36 million (2021: DKK (15) million).

Discontinued operations - presented in separate profit or loss line
2022: Brunei, Portugal, Russia and Taiwan

2021: Brunei, Portugal, Russia, Taiwan, the Czech Republic, Hungary, the Philippines, Romania, Slovenia and Slovakia

SECTION 4
Capital structure

4.1 Equity

Capital management
The ISS Global Group is indirectly wholly owned by ISS A/S and is therefore part of the ISS A/S Group. Group Treasury manages financing activities and capital structure centrally for the ISS A/S Group as a whole. The ISS Global Group's financing activities and capital structure are not assessed independently of the ISS A/S Group.

The Group monitors the capital structure and evaluates the need for adjustments on an ongoing basis. The Group's objectives for managing capital and what is managed as capital are described in note 4.6, Liquidity risk. The dividend policy and payment of dividend is made subject to the necessary consolidation of equity and the Group's continuing expansion and profitability.

ISS Global A/S (the Group's parent) is a holding company, and its primary assets are shares in ISS World Services A/S. ISS Global A/S has no revenue generating operations of its own, and therefore ISS A/S's cash flow will primarily depend on the operating performance and financial condition of ISS World Services A/S and its operating subsidiaries, and the receipt by ISS Global A/S of funds from ISS World Services A/S and its subsidiaries.

4.1.1 Share capital
At 31 December 2022, ISS Global A/S's share capital comprised a total of DKK 180,200 shares (2021: 180,200) with a nominal value of DKK thousand each. All shares were fully paid and freely transferable.

ISS Global A/S has one class of shares, and no shares carry special rights. Each share gives the holder the right to one vote at our general meetings.

4.1.2 Translation reserve

(DKKm)	Hedging	Subsidiaries	Total
At 1 January 2022	(152)	(805)	(957)
Foreign exchange adjustments of subsidiaries (ISS Global A/s's share)	-	26	26
Recycling of accumulated foreign exchange adj. on country exits	-	(36)	(36)
Hyperinflation	-	403	403
Fair value adjustments of net investment hedges, net of tax	(33)	-	(33)
At 31 December 2022	(185)	(412)	(597)

4.1.3 Dividends
In 2022 and 2021, no dividend to ISS World Services (ultimately ISS A/S) were approved.

Accounting policy

Retained earnings is the Group's free reserves, which includes share premium. Share premium comprises amounts above the nominal share capital paid by shareholders when shares are issued by ISS Global A/S.

Translation reserve comprises foreign exchange differences arising from the translation of financial statements of foreign entities with a functional currency other than DKK as well as from the translation of non-current balances which are considered part of the investment in foreign entities and fair value adjustments of net investment hedges.

On full realisation of a foreign entity where control is lost the accumulated foreign exchange adjustments are transferred to profit or loss in the same line item as the gain or loss.

4.1 Equity (continued)

4.1.4 Other comprehensive income

Development in 2022

In 2022, other comprehensive income increased by DKK 732 million mainly as a result of hyperinflation restatement in Turkey and remeasurement gain/losses on defined benefit plans. This was partly offset by foreign exchange adjustments of foreign entities.

		Attributable to the owners of ISS Global A/S				
(DKKm)	Note	Retained earnings	Translation reserve	Total	Non-controlling interest	Total equity
2022						
Defined benefit plans						
Remeasurement gain/(loss)	7.1	253	-	253	(45)	208
Asset ceiling	7.1	(43)	-	(43)	-	(43)
Foreign exchange adjustments						
Foreign entities		-	26	26	(57)	(31)
Recycling of accumulated foreign exchange adj. on country exits		-	(36)	(36)	-	(36)
Hyperinflation restatement of equity at 1 January		-	403	403	411	814
Hedging						
Fair value adjustments of net investment hedging	4.7	-	(43)	(43)	-	(43)
Tax						
Tax related to the items above		(62)	10	(52)	9	(43)
Total		148	360	508	318	826
2021						
Defined benefit plans						
Remeasurement gain/(loss)	7.1	1,145	-	1,145	-	1,145
Asset ceiling	7.1	(1,080)	-	(1,080)	-	(1,080)
Foreign exchange adjustments						
Foreign entities		-	189	189	(15)	174
Recycling of accumulated foreign exchange adj. on country exits		-	15	15	-	15
Hedging						
Fair value adjustments of net investment hedging	4.7	-	(191)	(191)	-	(191)
Tax						
Tax related to the items above		(11)	42	31	-	31
Total		54	55	109	(15)	94

4.2 Loans and borrowings

(DKKm)	2022	2021
Issued bonds	13,973	14,064
Lease liabilities	2,400	2,464
Debt to companies within the ISS Group	49	9
Bank loans	363	340
Derivatives	108	21
Total	16,893	16,898
Non-current liabilities	15,893	16,032
Current liabilities	1,000	866
Loans and borrowings	16,893	16,898
Cash and cash equivalents and other financial items [1)]	(8,843)	(7,082)
Net debt	8,050	9,816

[1)] Includes securities of DKK 104 million (2021: DKK 103 million), certain receivables from companies within the ISS Group of DKK 3,523 million (2021: DKK 3,552 million) and a positive value of currenct swaps of DKK 50 million (2021: DKK 0 million).

Financing fees

At 31 December 2022, accumulated financing fees amounted to DKK 57 million (2021: DKK 79 million). The decrease compared to last year was due to ordinary amortisation, which was recognised in financial expenses, amounting to DKK 22 million (2021: DKK 28 million). No new financing fees were capitalised in 2022.

Fair value

At 31 December 2022, the fair value of loans and borrowings was DKK 15,735 million (2021: DKK 17,441 million). The fair value of bonds was based on the quoted market price on the Luxembourg Stock Exchange and measurement is categorised as Level 1 in the fair value hierarchy. For the remaining loans and borrowings, fair value is in all material respects equal to the nominal value as illustrated in 4.5, Interest rate risk.

4.2 Loans and borrowings (continued)

Changes in loans and borrowings

(DKKm)	Issued bonds	Lease liabilities	Debt to companies within the ISS Group	Bank loans	Deriva-tives	Total
2022						
At 1 January	14,064	2,464	9	340	21	16,898
Foreign exchange adjustments	-	(13)	-	(86)	-	(99)
Cash flows	-	(850)	40	(41)	-	(851)
Acquisitions	-	40	-	-	-	40
Lease additions	-	761	-	-	-	761
Fair value adjustments	(108)	-	-	43	87	22
Other	17	(2)	-	107	-	122
At 31 December	13,973	2,400	49	363	108	16,893
2021						
At 1 January	15,537	2,481	2	474	6	18,500
Foreign exchange adjustments	(6)	27	-	(131)	-	(110)
Cash flows	(1,577)	(935)	7	(431)	-	(2,936)
Lease additions	-	856	-	-	-	856
Fair value adjustments	-	-	-	185	15	200
Other	110	35	-	243	-	388
At 31 December	14,064	2,464	9	340	21	16,898

Accounting policy

Issued bonds and bank loans are recognised initially at fair value net of directly attributable transaction costs and subsequently at amortised cost using the effective interest method. Any difference between the proceeds initially received and the nominal value is recognised in Financial expenses over the term of the loan.

At the date of borrowing, financing fees are recognised as part of loans and borrowings and subsequently amortised over the term of the loan and recognised in Financial expenses.

Lease liabilities At the commencement date, the Group recognises lease liabilities at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments less any incentive payments, variable lease payments that depend on an index or rate, e.g. when a minimum indexation is applied, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The present value is calculated using the Group's incremental borrowing rate if the interest rate implicit in the lease is not readily determinable.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. The liability is remeasured due to a modification, a change in lease term or a change in the assessment to purchase the underlying asset. Also, the liability is remeasured due to a change in future lease payments (e.g. a change in an index or rate) or due to a change in the Group's estimate of the amount expected to be payable under a residual guarantee.

4.3 Financial income and expenses

(DKKm)	2022	2021
Interest income on cash and cash equivalents	69	41
Interest income from companies within the ISS Group [1)]	92	69
Monetary gain on hyperinflation restatement	138	-
Financial income	299	110
Interest expenses on loans and borrowings [1)]	(301)	(299)
Interest expenses on lease liabilities [1)]	(81)	(67)
Interest expenses to companies within the ISS Group [1)]	(9)	(18)
Bank fees	(49)	(52)
Commitment fee	(43)	(62)
Amortisation of financing fees (non-cash) [1)]	(22)	(28)
Net interest on defined benefit obligations	(17)	(17)
Other	(22)	(11)
Foreign exchange losses	(73)	(39)
Redemption premium, bonds	-	(90)
Financial expenses	(617)	(683)

[1)] Measurement basis amortised cost.

Monetary gain on hyperinflation restatement related to the implementation of IAS 29 "Financial Reporting in Hyperinflationary Economies", cf. 7.2, Hyperinflation in Turkey.

Interest expenses on loans and borrowings comprised mainly interest on issued bonds and was in line with 2021. Repurchase of EMTNs in December 2021 and lower interest expenses due to an interest rate swap entered into in May 2022, cf. 4.5, Interest rate risk, were offset by increased interest expenses related to a local Turkish facility following the acquisition in 2021.

Redemption premium, bonds in 2021 related to the repurchase of EUR 200 million of the total outstanding EUR 500 million EMTNs maturing 2024.

4.4 Financial risk management

The Group is exposed to a number of financial risks arising from its operating and financing activities, mainly interest rate risk, liquidity risk, currency risk and credit risk. It is management's assessment that the Group's exposure to these risks is low. The Group has not identified additional financial risk exposures in 2022 compared to 2021.

Financial risks are managed centrally by Group Treasury based on the Financial Policy, which is reviewed and approved annually by the Board of Directors of ISS A/S. Exposure to credit risk on trade receivables and expected credit losses is however managed locally in the operating entities, cf. 2.1, Trade receivables and credit risk. It is the Group's policy to mitigate risk exposure derived from its business activities. Group policy does not allow taking speculative positions in the financial markets.

On an ongoing basis the Group considers whether the financial risk management approach appropriately addresses the risk exposures.

Through our risk management procedures, financial risks are monitored and reduced to an acceptable level.

An overview of financial risks and impact assessment at 31 December 2022 is provided below. The Group's objectives and policies for measuring and managing risk exposure are explained in the respective notes.

Financial risks	Risk	Basis for assessment at 31 December	Note
Credit risk	Low	• Not past due on trade receivables is around 90% (aging analysis) • Expected credit losses on trade receivables are less than 2% of gross receivables (credit ratings) • The Group transacts only with financial institutions with a credit rating of at least A- (cash and cash equivalents)	2.1
Interest rate risk	Low	• 82% of the Group's bank loans and bonds carried fixed rates (2021: 98%) • Duration of gross debt (fixed-rate period) 2.9 years (2021: 4.3)	4.5
Liquidity risk	Low	• No short-term maturities of debt • Diversified funding portfolio of debt (bonds and bank loans) • No financial covenants in our main Group facilities (certain covenants apply to the local loan facility in Turkey)	4.6
Currency risk	Low	• The Group benefits from a natural hedge in having income, costs and investments in the same functional currency, country-by-country • 97.2% of the Group's loans and borrowings (external) denominated in EUR (2021: 97.7%) • 78.3% (2021: 78.8%) of the Group's external borrowings were denominated in EUR, including net investment hedges	4.7

4.5 Interest rate risk

Low interest risk exposure
– low exposure

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Exposure relates to bank loans, bonds or interest rate swaps with floating interest rates.

Risk management policy
- At least 50% of the Group's bank loans and issued bonds must carry fixed interest rates directly or through derivatives
- Duration of gross debt (fixed-rate period) shall be 2-6 years

Mitigation
- The fixed/floating ratio and gross debt duration (fixed-rate period) are measured on a monthly basis
- Interest rate swaps (fair value hedge) are used to manage the fixed/floating ratio on gross debt

Loans and borrowings

(DKKm)	Nominal interest rate	Currency	Maturity	Nominal value (2022)	Carrying amount (2022)	Carrying amount (2021)
Issued bonds (fixed interest rate) [1]						
EMTNs (EUR 300 million)	2.125%	EUR	2024	2,231	2,229	2,226
EMTNs (EUR 500 million)	1.250%	EUR	2025	3,718	3,594	3,695
EMTNs (EUR 500 million)	0.875%	EUR	2026	3,718	3,700	3,695
EMTNs (EUR 600 million)	1.500%	EUR	2027	4,462	4,450	4,448
				14,129	13,973	14,064
Bank loans (floating interest rate)						
Loan facility Turkey	TLFREF	TRY	2026	192	201	300
Bank loans and overdrafts	-	Multi	-	180	162	40
				372	363	340
Intra-group (floating interest rate)						
Debt to companies within the ISS Group				49	49	9
				49	49	9

[1] Including fair value hedge

(DKKm)	Negative fair value	Fair value, net	Recognised in profit or loss	Maturity
Fair value hedge				
EUR	(108)	(108)	7	2025

In May 2022, ISS entered into an interest rate swap in order to reduce the fixed/floating ratio on our gross debt. A principal amount of EUR 300 million has been swapped from a fixed interest rate to a floating rate. The fair value adjustments recognised in profit or loss at 31 December is disclosed above.

Interest rate sensitivity
An increase in relevant interest rates of 1%-point, with all other variables held constant, would have decreased net profit by DKK 26 million (2021: decreased by DKK 4 million). The increase in interest rate sensitivity is a result of the interest rate swap entered into in May 2022.

The estimate was based on the Group's floating rate loans and borrowings, i.e. disregarding cash and cash equivalents, as the level at 31 December is typically the highest in the year and thus not a representative for the purpose of this analysis.

Accounting policy
The interest rate swap qualifies as a fair value hedge as the risk being hedged is the possible change in the fair value of a recognised liability.

The carrying amount of the hedged item is adjusted for fair value changes attributable to the risk being hedged and changes are recognised in profit or loss.

4.6 Liquidity risk

Liquidity risk
– low exposure

Liquidity risk results from the Group's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity.

Risk management policy

- Maintain an appropriate level of short- and long-term liquidity reserves (liquid funds and committed credit facilities)
- Maintain a smooth maturity profile in terms of different maturities
- Maintain access to diversified funding sources

Mitigation

- Raising capital is managed centrally in Group Treasury to ensure efficient liquidity management
- Group Treasury monitors the risk of insufficient liquidity on a daily basis
- Liquidity is transferred to/from ISS Global A/S, which operates as the Group's internal bank
- For day-to-day liquidity management cash pools have been established in the majority of the local entities

4.6.1 Contractual maturities

Financial liabilities

(DKKm)	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
2022								
Loans and borrowings, excl. lease [1]	14,444	15,333	539	2,513	3,914	3,861	4,506	-
Lease liabilities	2,400	2,533	752	564	423	259	168	367
Debt to companies within the ISS Group	49	51	51	-	-	-	-	-
Trade payables and other [2]	5,055	5,055	5,055	-	-	-	-	-
Total financial liabilities	**21,948**	**22,972**	**6,397**	**3,077**	**4,337**	**4,120**	**4,674**	**367**
2021								
Loans and borrowings, excl. lease [1]	14,425	15,472	309	311	2,537	3,930	3,879	4,506
Lease liabilities	2,464	2,579	774	549	406	277	185	388
Debt to companies within the ISS Group	9	9	9	-	-	-	-	-
Trade payables and other [2]	3,627	3,627	3,627	-	-	-	-	-
Total financial liabilities	**20,525**	**21,687**	**4,719**	**860**	**2,943**	**4,207**	**4,064**	**4,894**

[1] Excluding debt to companies within the ISS Group.

[2] Including payable royalties and management fees to ISS World Services A/S.

The contractual maturities of financial liabilities, based on undiscounted contractual cash flows, are shown in the table. The undiscounted contractual cash flows include expected interest payments, estimated based on market expectations at 31 December.

The risk implied from the values reflects the one-sided scenario of cash outflows only. Trade payables and other financial liabilities are mainly used to finance assets such as trade receivables and property, plant and equipment.

4.6 Liquidity risk (continued)

4.6.2 Liquidity reserves

(DKKm)	2022	2021
Cash and cash equivalents	5,166	3,427
Restricted cash	(35)	(31)
Unused revolving credit facilities	7,276	7,312
Liquidity reserves	**12,407**	**10,708**
Not readily available	1,078	1,061
Readily available liquidity	**11,329**	**9,647**

Cash and cash equivalent of DKK 5,166 million reflects the strong liquidity position of the Group. The level is typically highest at 31 December and not a representative level for the rest of the year.

Restricted cash DKK 35 million of the total cash and cash equivalents at 31 December 2022 was placed on blocked or restricted bank accounts due to legal cases and tax-related circumstances.

Unused revolving credit facilities The Group has a EUR 1 billion revolving credit facility maturing in November 2024. In addition to the unused revolving credit facilities at Group level, local uncommitted credit facilities are available in countries, which are not considered part of the readily available liquidity. At 31 December 2022, these amounted to DKK 0.9 billion of which DKK 0.2 billion was drawn (2021: DKK 1.1 billion of which all were unused).

Not readily available Cash is considered readily available for upstreaming to the parent company (ISS A/S) within five days. In a number of countries, transfer to ISS A/S is assessed to take more than five days due to local administrative processes, and thus is not deemed readily available.

4.7 Currency risk

Currency risk
– low exposure

Currency risk is the risk that arises from changes in exchange rates, and affects the Group's result, investments or value of financial instruments.

The Group generally benefits from a natural hedge in having income, costs and investments in the same functional currency country by country. Currency risk therefore predominantly arises from funding and investments in subsidiaries.

Risk management policy

• It is Group policy to pool funding activities centrally and fund investments in subsidiaries through a combination of intercompany loans and equity
• Currency risk on intercompany loans is as a main policy hedged against DKK or EUR when exposure exceeds DKK 5 million. Some currencies cannot be hedged within a reasonable price range in which case correlation to a proxy currency is considered and, if deemed appropriate, proxy hedging is applied
• Currency risk on net investments are as a main policy hedged against DKK or EUR when annual EBITDA of the relevant functional currency corresponds to 5% or more of Group EBITDA up to an amount of 3-5x EBITDA in the relevant functional currency and adjusted as appropriate to relevant market entry and exit risk
• Exposure to EUR is monitored but not hedged due to the fixed rate exchange policy between DKK/EUR

Mitigation
• Currency swaps are used to hedge currency risk on loans and borrowings (external), intercompany balances and long-term receivables (external)
• Currency exposure on loans and borrowings, intercompany balances and cash and cash equivalents is measured at least on a weekly basis
• Currency swaps (net investment hedges) or debt are used to hedge the currency exposure to investments in subsidiaries (other than EUR).

4.7.1 Loans and borrowings

				Sensitivity	
	Currency exposure (nominal)	Currency swaps (contractual)	Exposure, net	Increase in FX	Profit or loss
2022					
EUR/DKK	(17,661)	7,333	(10,328)	1%	(103)
USD/DKK	1,349	(1,491)	(142)	10%	(14)
Other/DKK	(1,991)	1,690	(301)	10%	(30)
Total	(18,303)	7,532	(10,771)		
2021					
EUR/DKK	(17,799)	6,864	(10,935)	1%	(109)
USD/DKK	1,435	(1,555)	(120)	10%	(12)
Other/DKK	(1,721)	1,163	(558)	10%	(56)
Total	(18,085)	6,472	(11,613)		

Foreign currency sensitivity (loans and borrowings)
A change in relevant currencies, with all other variables held constant, would have impacted profit or loss with the amounts above. The analysis is based on the Group's internal monitoring of currency exposure on loans and borrowings, intercompany loans, external long-term receivables, cash and cash equivalents as well as accrued royalties (Group internal).

4.7 Currency risk (continued)

4.7.2 Net investment hedges

(DKKm)	Net investment	Hedging of investment	Exposure, net	Average price	Change in fair value	Fair value	Maturity
2022							
GBP	1,699	1,216	483	9	53	24	March 2023
USD	1,146	767	379	7	(57)	27	March 2023
CHF	1,673	755	918	8	(39)	19	March 2023
Total	4,518	2,738	1,780	-	(43)	70	
2021							
GBP	1,492	1,285	207	9	(100)	(18)	March 2022
USD	1,093	722	371	7	(60)	3	March 2022
CHF	1,847	718	1,129	7	(31)	(4)	March 2022
Total	4,432	2,725	1,707	-	(191)	(19)	

Foreign currency sensitivity (net investments)

A 10% change in the mentioned currencies, with all other variables held constant, would have changed the fair value recognised in Other comprehensive income by DKK 48 million for GBP, by DKK 38 million for USD and by DKK 92 million for CHF.

The effect of translation of net assets in foreign subsidiaries before the effect of net investment hedges decreased equity by DKK 31 million (2021: an increase of DKK 174 million) primarily related to Turkey, Switzerland and the UK.

Accounting policy

Derivative financial intruments are initially recognised at fair value at the trade date and subsequently remeasured at fair value at the reporting date. The fair value of derivatives is presented in Other receivables when the fair value is positive and in Other liabilities when the fair value is negative.

Fair value measurement takes current market data into account. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. Measurement is categorised as Level 2 in the fair value hierarchy as it is not based on observable market data.

Currency swaps are used to hedge the exposure to currency risk on loans and borrowings (external) and intercompany balances. As changes in the fair value of both the hedged item and the currency swap are recognised in profit or loss, hedge accounting is not applied.

Currency swaps (net investment hedges) or debt is used to hedge the currency exposure to investments in subsidiaries (other than for EUR).

Net investment hedges Changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while fair value changes relating to the ineffective portion are recognised in financial income or financial expenses. On disposal of the foreign operation, the cumulative fair value recognised in equity is recognised in the statement of profit or loss when the gain or loss on disposal is recognised.

4.7 Currency risk (continued)

4.7.3 Translation risk

The Group's exposure to currency risk on transaction level is low since income, costs and investments are in the same functional currency country by country.

Impact on profit or loss

In 2022, changes in weighted average exchange rates resulted in an increase in Group revenue of DKK 100 million or 1.5% (2021: decrease of 0.6%) and a decrease of the Group's operating profit before other items of DKK 89 million or 0.6% (2021: decrease of 1.2%).

Change in average FX rates	2021 to 2022	2020 to 2021
GBP	0.8%	3.2%
CHF	7.7%	(1.2)%
USD	12.6%	(3.8)%
AUD	3.9%	4.8%
NOK	0.7%	5.1%
SEK	(4.5)%	3.1%
TRY	(40.8)%	(22.9)%
EUR	0.0%	(0.2)%

( ) = Weakened against DKK

Foreign currency sensitivity

A 10% change (EUR: 1% change) in relevant currencies, with all other variables held constant, would have impacted revenue and operating profit before other items with the amounts below.

(DKKm)	Revenue	Operating profit before other items	Royalty
GBP	984	40	18
USD	625	31	11
CHF	573	42	11
AUD	462	33	10
NOK	402	31	7
TRY	319	24	5
SEK	298	16	5
EUR	240	9	4
Other	1,264	60	25
Total	5,167	286	96

SECTION 5
Tax

5.1 Income tax

Income tax in profit or loss

(DKKm)	2022	2021
Current tax	464	509
Deferred tax	(120)	5
Prior year adjustments, net	17	45
Income tax	361	559

Development in effective tax rate

In 2022, the Group's effective tax rate decreased to 16.7% from 52.9% in 2021. Compared to the statutory income tax rate of 22% in Denmark, the effective tax rate was mainly reduced by the following three factors; release of valuation allowance on deferred tax assets, divestment gains (non-taxable) and hyperinflation restatement in Turkey.

In 2021, the effective tax rate was negatively impacted by recognised valuation allowances on deferred tax assets, goodwill impairment in France (non-tax deductible) and other non-taxdeductible costs, mainly interest limitation.

Effective tax rate (ETR)

Group	2022	2021
Statutory income tax rate, Denmark	22.0 %	22.0 %
Foreign tax rate differential, net	(0.6)%	(14.3)%
Total	21.4 %	7.7 %
Non-tax-deductible expenses less non-taxable income	(2.6)%	7.9%
Non-tax-deductible impairment	0.0 %	12.0%
Prior year adjustments, net	0.8 %	4.2 %
Change in valuation of tax assets, net	(2.4)%	17.2 %
Changes in tax rates	0.5 %	(0.7)%
Hyperinflation	(1.9)%	-
Other taxes	0.9%	4.6%
Effective tax rate	16.7%	52.9%

5.1 Income tax (continued)

Main countries	Statutory income tax	2022	2021
Australia	30.0%	30.3%	30.2%
Denmark (incl. HQ) [3]	22.0%	303.5%	(15.0)%
Finland	20.0%	24.5%	25.9%
France [1] [2]	25.0%	(46.0)%	(10.9)%
Germany [1] [2]	30.3%	40.4%	0.0%
Norway	22.0%	20.2%	22.6%
Spain	25.0%	(18.9%)	21.9%
Switzerland	18.0%	18.1%	7.5%
UK	19.0%	17.1%	122.7%
US[3]	21.0%	(104.2%)	21.4%

[1] Profit before tax was negative in 2022.
[2] Profit before tax was negative in 2021.
[3] Based on low profit before tax for 2022.

Foreign tax rate differential, net was negligible in 2022, whereas 2021 was impacted by tax losses in countries with a higher corporate income tax rate than in Denmark, most significantly France and Germany.

Non-tax-deductible expenses less non-taxable income comprised various income and expenses across the Group. In 2022, non-taxable divestment gains in Hong Kong and the UK impacted positively, partly offset by the recurring negative impacts from Denmark due to interest limitation.

Non-tax-deductible impairment in 2021 related to goodwill impairment in France.

Prior year adjustments, net related to adjustment in the final tax returns and were insignificant in 2022. In 2021, the adjustment mainly related to the UK.

Change in valuation of tax assets, net in 2022 related to release of valuation allowances on tax losses in Spain, the Netherlands and Germany partly offset by an increase in France. In 2021, the change mainly related to Germany and France.

Changes in tax rates in 2022 was driven by changed income tax rates in Turkey from 23% to 20% (effective from 2023) and in the UK from 19% to 25% (effective from April 2023). In 2021, the change was mainly driven by a reduction of the corporate tax rate in France from 33% to 25% over the period 2018-2022.

Hyperinflation related to implementation of IAS 29 “Financial Reporting in Hyperinflationary Economies”, cf. 7.2, Hyperinflation in Turkey, including the positive impact from change in local tax rules leading to step-up in tax bases of assets due to hyperinflation.

Other taxes mainly comprised Cotisation sur la Valeur Ajoutée des Entreprises (CVAE) in France.

Accounting policy

Income tax comprises current tax and changes in deferred tax, including effects from changes in tax rate, and is recognised in profit or loss or other comprehensive income.

Tax receivables and payables are recognised in the statement of financial position as tax computed on taxable income for the year, adjusted for tax on taxable income prior years and tax paid on account.

5.2 Deferred tax

	Deferred tax assets		Deferred tax liabilities	
(DKKm)	2022	2021	2022	2021
Tax losses carried forward	482	336	-	-
Goodwill	4	4	387	412
Brands	-	-	-	1
Customer contracts	7	8	150	141
Property, plant and equipment	187	125	425	374
Provisions and other liabilities	973	1,062	394	331
Pensions	126	158	62	22
Set-off within legal tax units and jurisdictions	(882)	(903)	(882)	(903)
Total	897	790	536	378

Development in deferred tax

(DKKm)	2022	2021
Deferred tax liabilities, net at 1 January	(412)	(473)
Prior year adjustments, net	34	25
Foreign exchange adjustments	(22)	(25)
Hyperinflation restatement	62	-
Acquisitions and divestments, net	20	72
Other comprehensive income	53	11
Reclassification to Assets/(Liabilities) held for sale	24	(27)
Tax on profit before tax	(120)	5
Deferred tax liabilities, net at 31 December	(361)	(412)

Prior year adjustments, net mainly related to adjustment of tax deductions (temporary differences) in the final tax returns.

Acquisitions and divestments, net in 2022 related to the acquisition of Livit FM Services AG in Switzerland (2021: Rönesans Facility Management Company in Turkey).

Other comprehensive income comprised tax on actuarial gains on pensions.

Unrecognised deferred tax assets

At 31 December 2022, the Group had unrecognised deferred tax assets which comprised tax losses carried forward and other deductible temporary differences of DKK 1,814 million (2021: DKK 1,871 million) primarily relating to Germany, France and the Netherlands. Unrecognised tax losses can be carried forward indefinitely in the individual countries, except for China, where tax losses can be carried forward for 5 years.

Uncertain tax positions

Uncertain tax positions include ongoing disputes with tax authorities in certain jurisdictions and have been provided for in accordance with the accounting policies. Management believes that the provisions made are adequate. However, the actual obligations may deviate as they depend on the result of litigations and settlements with the relevant tax authorities. The final outcome of some of the ongoing disputes is expected to be determined in 2023-2024.

5.2 Deferred tax (continued)

Significant accounting estimates and judgements

Deferred tax assets relating to tax losses carried forward are recognised, when management assesses that these can be offset against positive taxable income in the foreseeable future. The assessment is made at the reporting date taking into account the impact from limitation in interest deductibility and local tax restrictions in utilisation of tax losses. The assessment of future taxable income is based on financial forecasts approved by management and expectations on the operational development, mainly in terms of organic growth and operating margin.

Management made a reassessment of the probability that future taxable profit will be available in the foreseeable future against which the Group can utilise tax losses (i.e for current year and those carried forward from prior years (valuation allowances). The assessment is based on the cash flow projections made for the purpose of the Group's impairment tests, see 3.2, Impairment tests, and represents management's best estimate, but is by nature associated with significant uncertainty.

Uncertain tax positions As part of operating a global business, disputes with tax authorities around the world may occur. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The possible outcome of uncertain tax positions are measured based on management's best estimate of the amount required to settle the obligation and recognised in deferred tax or income tax depending on the tax position.

Accounting policy

Deferred tax is provided using the liability method on temporary differences between tax bases of assets and liabilities and their carrying amounts. Deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences, apart from in business combinations, arose at the time of acquisition without affecting either Net profit or taxable income. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to management's intended use of the asset or settlement of the liability. Deferred tax is measured according to the taxation rules and tax rates in the respective countries applicable at the reporting date when the deferred tax becomes current tax.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in non-current assets at the expected value of their utilisation, either as a set-off against tax on future income, or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and liabilities are offset if the Group has a legal right to offset these, intends to settle these on a net basis or to realise the assets and settle the liabilities, simultaneously.

SECTION 6
Remuneration

6.1 Management remuneration

The management team of the ISS Global Group formally consists of the Managing Directors and the Board of Directors. Members of the management team are not separately remunerated for their duties performed in the ISS Global Group.

As the ISS Global Group has no significant operating activities independently of the ISS A/S Group, it relies on the management team of the ISS A/S Group who has authority and responsibility for planning, implementing and controlling the ISS Global Group's activities. Consequently, key management personnel of the ISS A/S Group is also considered key management personnel of the ISS Global Group.

Remuneration to key management personnel of the ISS A/S Group is specified below:

	2022			2021		
		EGM			EGM	
(DKK thousand)	Board	EGMB	Corporate Senior Officers	Board	EGMB	Corporate Senior Officers
Base salary and non-monetary benefits	8,587	15,269	49,073	8,724	21,842	39,172
Annual bonus	-	11,572	28,885	-	12,007	18,739
Share-based payments [1)]	-	7,310	14,381	-	(3,794)	11,695
Severance pay	-	-	-	-	14,280	-
Total remuneration	8,587	34,151	92,339	8,724	44,335	69,606

[1)] In 2021, share-based payments to the EGMB included an income of DKK 8 million due to forfeited PSUs and RSUs under the incentive programmes as the CEO Europe left ISS.

Remuneration policy is described in the Remuneration report which is available at:
https://brand.issworld.com/m/123d6df360418716/original/Remuneration-Report_2022.pdf

6.2 Share-based payments

To drive delivery of short- and long-term financial results, retention of leaders and alignment to shareholder value creation, the Group has implemented two types of equity-settled sharebased incentive programmes:

- a long-term incentive programme (LTIP); and
- a special incentive programme (SIP)

In 2022, share-based payment costs amounted to DKK 80 million of which DKK 9 million were recognised in ISS A/S and DKK 29 million were recognised in ISS World Services A/S.

6.2.1 Long-term incentive programme

Members of the EGM and other senior officers of the Group, are granted a number of performance share units (PSUs) under the annual LTIP.

Upon vesting, each PSU entitles the holder to receive one share at no cost. Participants are compensated for any dividend distributed between time of grant and time of vesting.

Subject to certain criteria, the PSUs will vest after three years. The vesting criteria are total shareholder return (TSR), measured relative to peer group performance, and earnings per share (EPS). For LTIP 2021 and LTIP 2022, TSR and EPS weighted 40%, respectively, and the remaining 20% related to service-based objectives. For LTIP 2020 and LTIP 2019, TSR and EPS were equally weighted. TSR peers are the Nasdaq Copenhagen OMX C25 and a peer group of comparable international service companies.

TSR performance criteria		
Threshold	Vesting	TSR
Below threshold	0%	Below median of peers
Threshold	25%	At median of peers
Maximum	100%	At upper quartile of peers or better

Fair value and profit or loss impact	LTIP 2019	LTIP 2020	LTIP 2021	LTIP 2022
PSUs and participants (number)				
Maximum PSUs at initial grant date	928,367	1,785,896	1,349,527	1,509,951
Total PSUs granted	813,090	1,473,659	1,316,818	1,353,855
Participants	142	120	145	161
Fair value (DKKm)				
PSUs expected to vest at grant date	101	74	94	98
PSUs expected to vest at 31 December	-	53	77	75
Profit or loss impact (DKKm)				
Recognised in the year	1	22	25	24
Not yet recognised (PSUs expected to vest)	-	4	30	57
Assumptions at the time of grant				
Share price, DKK [1)]	207	98	111	117
Expected volatility [2)]	26.6%	29.1%	47.2%	47,5%
Expected life of grant, years	3	3	3	3
Risk-free interest rate [2)]	(0.3)%-2.7%	(0.4)%-1.9%	(0.6)%-0.9%	(0.1%)-1.5%

[1)] Based on five-day average.

[2)] Based on observable market data for peer groups.

6.2 Share-based payments (continued)

Vested programmes

In March 2022, the LTIP 2019 programme vested. Based on the annual EPS and TSR performances for 2019, 2020 and 2021, 0% of the granted PSUs vested. After this vesting, no further PSUs are outstanding under the LTIP 2019 and the programme has lapsed.

Furthermore, in March 2023, the PSUs granted under LTIP 2020 will vest with 32% based on the annual EPS and TSR performances for 2020, 2021 and 2022.

Outstanding PSUs

	EGM			
LTIP 2019 (vested in 2022)	EGMB	Corporate Senior Officers	Other senior officers	Total
Outstanding at 1 January 2021	42,583	83,015	560,451	686,049
Cancelled	(35,686)	(6,370)	(23,034)	(65,090)
Outstanding at 31 December 2021	**6,897**	**76,645**	**537,417**	**620,959**
Transferred		6,643	(6,643)	-
Forfeited	(6,897)	(83,288)	(530,774)	(620,959)
Outstanding at 31 December 2022	**-**	**-**	**-**	**-**
LTIP 2020 (vesting in 2023)				
Outstanding at 1 January 2021	132,633	177,999	1,129,354	1,439,986
Cancelled	(72,864)	-	(104,144)	(177,008)
Outstanding at 31 December 2021	**59,769**	**177,999**	**1,025,210**	**1,262,978**
Transferred	-	(10,382)	10,382	-
Cancelled	-	-	(31,586)	(31,586)
Outstanding at 31 December 2022	**59,769**	**167,617**	**1,004,006**	**1,231,392**
LTIP 2021 (vesting in 2024)				
Granted	201,828	176,746	862,373	1,240,947
Cancelled	(53,531)	-	(89,652)	(143,183)
Outstanding at 31 December 2021	**148,297**	**176,746**	**772,721**	**1,097,764**
Granted	-	11,015	64,856	75,871
Transferred	-	9,107	(9,107)	-
Cancelled	-	(8,583)	(71,403)	(79,986)
Outstanding at 31 December 2022	**148,297**	**188,285**	**757,067**	**1,093,649**
LTIP 2022 (vesting in 2025)				
Granted	139,713	265,208	948,934	1,353,855
Transferred	-	8,710	(8,710)	-
Cancelled	-	(18,233)	(115,516)	(133,749)
Outstanding at 31 December 2022	**139,713**	**255,685**	**824,708**	**1,220,106**

6.2 Share-based payments (continued)

6.2.2 Special incentive programmes (SIP)

The Group has currently one Special Incentive Programme (SIP). Corporate Senior Officers (EMG members) and other senior officers of the Group are granted a number of Restricted Share Units (RSUs).

Upon vesting, each RSU entitles the holder to receive one share at no cost.

Subject to individual service criteria, the RSUs will vest after three years.

Fair value and profit or loss impact	SIP 2020-2022	SIP 2020-2023
RSU and participants (number)		
Maximum RSUs at initial grant date	64,159	246,767
Total RSUs granted	55,263	238,489
Participants	9	37
Fair value (DKKm)		
RSUs expected to vest at grant date	6	24
RSUs expected to vest at 31 December	-	23
Profit or loss impact (DKKm)		
Recognised in the year	0	8
Not yet recognised (RSUs expected to vest)	-	2
Assumptions at the time of grant		
Share price, DKK	101	101
Expected life of grant, years	2	3

Vested programmes

In March 2022, the SIP 2020-2022 programme vested. Based on individual service criteria, 83% of the granted RSUs vested. After this vesting, no further RSUs are outstanding under the SIP 2020-2022 and the programme has lapsed.

Furthermore, in March 2023, the RSUs granted under the SIP 2020-2023 programme will vest 100% subject to achievement of individual service criteria.

6.2 Share-based payments (continued)

Outstanding RSUs

SIP 2020-2022 (vested in 2022)	EGM Corporate Senior Officers	Other senior officers	Total
Outstanding at 1 January 2021	-	22,296	22,296
Granted	26,619	1,783	28,402
Cancelled	-	(6,513)	(6,513)
Outstanding at 31 December 2021	**26,619**	**17,566**	**44,185**
Granted	-	4,565	4,565
Forfeited	-	(2,696)	(2,696)
Cancelled	(26,619)	(19,435)	(46,054)
Outstanding at 31 December 2022	**-**	**-**	**-**

SIP 2020-2023 (vesting in 2023)			
Outstanding at 1 January 2021	-	204,223	204,223
Granted	26,619	1,888	28,507
Cancelled	-	(12,853)	(12,853)
Outstanding at 31 December 2021	**26,619**	**193,258**	**219,877**
Granted	-	5,759	5,759
Transferred	10,432	(10,432)	-
Cancelled	-	(1,462)	(1,462)
Outstanding at 31 December 2022	**37,051**	**187,123**	**224,174**

Accounting policy

The value of services received in exchange for granted performance-based share units (PSUs) and restricted share units (RSUs) are measured at fair value at the grant date and recognised in employee costs over the vesting period with a corresponding increase in equity, as both of the schemes are equity-settled.

The fair value of granted PSUs under the long-term incentive programme is measured using a generally accepted valuation model taking into consideration the terms and conditions upon which the PSUs were granted including market-based vesting conditions (Total Shareholder Return (TSR) condition).

On initial recognition, an estimate is made of the number of PSUs and RSUs expected to vest. The estimated number is subsequently revised for changes in the number of PSUs and RSUs expected to vest due to non-market based vesting conditions.

SECTION 7
Other required disclosures

7.1 Pensions and similar obligations

7.1.1 Pension schemes

Defined contribution plans
The majority of the Group's pension schemes are defined contribution plans where contributions are paid to publicly or privately administered pension plans. The Group has no further payment obligations once the contributions have been paid. In 2022, contributions amounted to DKK 1,221 million (2021: DKK 1,186 million), corresponding to 84% of the Group's pension costs (2021: 83%).

Defined benefit plans
The Group has a number of defined benefit plans where the responsibility for the obligation towards the employees rests with the Group. The largest plans are in Switzerland and the UK accounting for 86% (2021: 86%) of the Group's obligation (gross) and 97% (2021: 97%) of its plan assets.

The plans are primarily based on years of service, and benefits are determined on the basis of salary and position. The Group assumes the risk associated with future developments in salary, interest rates, inflation, mortality and disability, etc.

The majority of the obligations are funded with assets placed in independent pension funds. In some countries, primarily Sweden, France, Turkey, Hong Kong and Mexico, the obligation is unfunded. For these unfunded plans, obligation amounted to DKK 633 million or 8% of the present value of the gross obligation (2021: DKK 788 million or 9%).

Switzerland Participants are insured against the financial consequences of retirement, disability and death. The pension plans guarantee a minimum interest credit and fixed conversion rates at retirement and include a risk-sharing element between ISS and the plan participants. Contributions are paid by both the employee and the employer. The plans must be fully funded. In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, reduction of benefits or a combination of both.

The UK Participants are insured against the financial consequences of retirement and death, and do not provide any insured disability benefits. The pension plans guarantee a defined benefit pension at retirement on a final salary basis. The majority of the plans does not include a risk-sharing element between ISS and the plan participants.

Multiemployer pension plans
The Group participates in multiemployer pension schemes that by nature are defined benefit plans in a few countries. Some funds are not able to provide the necessary information in order for the Group to account for the schemes as defined benefit plans and these schemes are therefore accounted for as defined contribution plans.

Developments in 2022
Actuarial calculations for 2022 have been obtained for all major plans. The actuarial calculations led to recognition of actuarial gains due to increased discount rates (financial assumptions) of DKK 1,702 million, mainly in Switzerland and the UK. This was largely offset by actuarial losses of DKK 490 million due to increased salary and inflation expectations (experience adjustments) and loss on plan assets of DKK 997 million, both primarily related to Switzerland and the UK. The net impact on the pension obligation was a gain of DKK 165 million recognised in other comprehensive income.

In 2021, we saw strong asset returns and an actuarial gain, which led to a significant increase in the surplus on the major plans in Switzerland. Due to surplus restrictions (ISS does not have access to the overfunding), an increase in the asset ceiling was recognised. In 2022, market conditions for listed shares and real estate deteriorated resulting in significant losses on plan assets in Switzerland and the UK. However, due to a larger decrease in the pension obligation the asset ceiling has further increased. As such, by the end of 2022, the accumulated impact from the asset ceiling was DKK 1,352 million (2021: DKK 1,253 million).

7.1 Pensions and similar obligations (continued)

Significant accounting estimates

Actuarial calculations and valuations are performed annually for all major plans. The present value of defined benefit obligations is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. Applied actuarial assumptions vary from country to country due to local conditions. All assumptions are assessed at the reporting date. Changes in these assumptions may significantly affect the liabilities and pension costs under defined benefit plans. The range and weighted average of these assumptions as well as sensitivities on key assumptions are disclosed in this note.

The discount rates used for calculating the present value of expected future cash flows are based on the market yield of high-quality corporate bonds or government bonds with a maturity approximating to the terms of the defined benefit obligations.

When the Group participates in multiemployer pension plans being accounted for as defined contribution plans due to unavailability of information, there is a risk that the plans are not sufficiently funded. However, information on surplus or deficit in the schemes is not available.

Accounting policy

Contributions to defined contribution plans are recognised in Employee costs when the related service is provided. Any contributions outstanding are recognised in Other liabilities.

Defined benefit plans The Group's net obligation is calculated by a qualified actuary using the projected unit credit method, separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The present value less the fair value of any plan assets is recognised in Pensions and similar obligations.

When the calculation results in a potential asset, recognition is limited to the present value of economic benefits available in the form of future refunds from or reductions in future contributions to the plan. To calculate the present value, consideration is given to applicable minimum funding requirements.

Pension costs are calculated based on actuarial estimates and financial expectations at the beginning of the year. Service costs are recognised in Employee costs and net interest is recognised in Financial expenses.

Differences between the expected development in pension assets and liabilities and the realised amounts at the reporting date are designated actuarial gains or losses and recognised in other comprehensive income.

When the benefits are changed or a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised in Employee costs. Gains and losses on settlement is recognised when incurred.

The aggregated value of unfunded plans is presented as a net liability and the aggregated value of funded plans are presented as a net asset.

Other long-term employee benefits are recognised as defined pension plans, except that actuarial gains and losses are recognised in Employee costs.

Other long-term employee benefits comprise jubilee benefits, long-service or sabbatical leave, etc.

7.1 Pensions and similar obligations (continued)

7.1.2 Defined benefit plans

(DKKm)	2022 Present value of obligation	2022 Fair value of plan assets	2022 Carrying amount	2021 Present value of obligation	2021 Fair value of plan assets	2021 Carrying amount
At 1 January	8,625	8,997	(372)	8,684	7,796	888
Current service costs	197	-	197	219	-	219
Interest on obligation/plan assets	72	55	17	45	28	17
Past service costs	11	-	11	-	-	-
Recognised in profit or loss	280	55	225	264	28	236
Actuarial (gain)/loss:						
Demographic assumptions	7	-	7	(256)	-	(256)
Financial assumptions	(1,702)	-	(1,702)	(209)	-	(209)
Experience adjustments	490	-	490	67	-	67
Return on plan assets	-	(997)	997	-	747	(747)
Asset ceiling	-	(43)	43	-	(1,080)	1,080
Recognised in other comprehensive income	(1,205)	(1,040)	(165)	(398)	(333)	(65)
Foreign exchange adjustments	214	295	(81)	386	414	(28)
Acquisitions and divestments, net	227	219	8	-	0	(0)
Employee contributions	154	154	-	141	141	-
Employer contributions	-	207	(207)	-	199	(199)
Benefits paid	(342)	(267)	(75)	(266)	(174)	(92)
Asset ceiling	-	43	(43)	-	1,080	(1,080)
Reclass. to Liabilities held for sale	-	-	-	(186)	(154)	(32)
Other changes	253	651	(398)	75	1,506	(1,431)
At 31 December	7,953	8,663	(710)	8,625	8,997	(372)

Recognised in the statement of financial position

(DKKm)	**2022**	**2021**
Carrying amount of defined benefit plans	(710)	(372)
Accumulated impact from asset ceiling [1)]	1,352	1,253
Defined benefit obligation, net [2)]	**642**	**881**
Other long-term employee benefits	543	470
Pensions and similar obligations	**1,185**	**1,351**

[1)] Including a foreign exchange adjustment on the opening balance of DKK 56 million.
[2)] Including an asset of DKK 247 million (2021: DKK 86 million) related to defined benefit plans in the UK.

Contributions in 2023

The Group expects to contribute DKK 322 million in 2023 (2022: DKK 261 million).

7.1 Pensions and similar obligations (continued)

Plan assets - major categories	2022	2021
Listed shares	34%	40%
Corporate bonds	18%	20%
Property	19%	15%
Government bonds	2%	4%
Cash and cash equivalents	6%	3%
Other	21%	18%
Total	100%	100%

7.1.3 Actuarial assumptions

	2022				2021			
	CHF	GBP	EUR	Other currencies	CHF	GBP	EUR	Other currencies
Discount rates	2.3%	4.8%	3.70-3.75%	1.0-10.7%	0.3%	2.0%	0.35-1.0%	0.2-19.3%
Salary increase	1.3%	0.0-2.65%	2.56-3.2%	0.0-12.0%	1.0%	0.0 -2.65%	0.0-3.5%	0.0-15.0%
Pension increase	0.0%	2.65-3.15%	0.0-2.15%	0.0-2.2%	0.0%	2.65-3.20%	0.0-0.64%	0.0-2.0%

Sensitivity analysis

Below the sensitivities related to significant actuarial assumptions used in the calculation of the defined benefit obligation are illustrated in terms of estimated increase/(decrease) in the obligation.

The analysis is based on changes in assumptions, with all other variables held constant, that the Group considered to be reasonably possible at the reporting date.

	2022		2021	
(DKKm)	+0.5%	-0.50%	+0.5%	-0.5%
Discount rate	(334)	363	(490)	545
Price inflation	74	(65)	165	(51)
Salary increase	93	(74)	132	(4)
Pension increase	248	(248)	302	(85)
	+1 year	-1 year	+1 year	-1 year
Life expectancy	136	(133)	212	(182)

Duration

The estimated

Years	2022	2021
Active employees	6	8
Retired employees	11	15
Deferred vested [1)]	7	6
Total employees	9	12

[1)] The impact from deferred vested on total estimated weighted average duration is minor due to the fact that deferred vested make up less than 2% of the participants, and do not exist in many of the shorter duration plans.

7.2 Hyperinflation in Turkey

Effective 1 January 2022, the Group has implemented IAS 29 "Financial Reporting in Hyperinflationary Economies" for its subsidiary in Turkey, as the cumulative three-year inflation rate in the country exceeded the threshold of 100% in February.

The aim of IAS 29 is to ensure that consolidated financial statements reflect the current purchasing power by:

- restating reported numbers based on changes in the general price index; and
- applying end-of-period exchange rates.

The translation method as well as recognition and measurement are described under accounting policies below.

Impact on the consolidated financial statements

The implementation of IAS 29 did not have a material impact on the Group's profit or loss and cash flow statements and consequently the effect on our three KPIs was immaterial, i.e. organic growth (non-IFRS), operating margin (non-IFRS) and free cash flow (non-IFRS). However, the restatement for inflation significantly impacted the Group's statement of financial position, mainly by increasing the value of goodwill and customer contracts.

		Inflation restatement				
(DKKm)	YTD (excl. IAS 29)	Non-monetary items	Profit or loss	Retrans-lation (YE FX)	Total adjustments	YTD (reported)
Profit or loss						
Revenue	76,404	-	580	(426)	154	76,558
Depreciation and amortisation	(1,344)	(48)	-	6	(42)	(1,386)
Other costs	(71,291)	-	(529)	388	(141)	(71,432)
Operating profit before other items	3,769	(48)	51	(32)	(29)	3,740
Other income and expenses, net	79	-	(1)	-	(1)	78
Royalty	(1,274)	-	-	-	-	(1,274)
Amortisation of customer contracts	(59)	(12)	-	2	(10)	(69)
Operating profit	2,515	(60)	50	(30)	(40)	2,475
Financial income	160	180	(40)	(1)	139	299
Financial expenses	(626)	-	(18)	27	9	(617)
Operating profit before tax	2,049	120	(8)	(4)	108	2,157
Income tax	(319)	(43)	8	(7)	(42)	(361)
Net profit from continuing operations	1,730	77	-	(11)	66	1,796
Net profit from discontinued operations	159	-	-	-	-	159
Net profit	1,889	77	-	(11)	66	1,955

Profit or loss

The restatement of revenue had a net positive impact of DKK 154 million of which DKK 580 million related to the increase in the price index of 21% in 2022. This was partly offset by the impact from retranslation to exchange rates at 31 December of DKK 426 million.

Operating profit before other items was negatively impacted by DKK 29 million, as the inflation restatement of right-of-use assets and property, plant and equipment led to higher depreciation and amortisation of DKK 42 million. This more than offset the net positive impact from inflation restatement and retranslation.

Financial expenses, net was positively impacted by DKK 148 million reflecting the restatement of non-monetary items for the inflation development in 2022 and the offset of inflation restatement of profit or loss items in the same period.

Based on the above, and the resulting negative impact on Income tax of DKK 42 million, Net profit increased DKK 66 million for 2022.

7.2 Hyperinflation in Turkey (continued)

(DKKm)	YTD (excl. IAS 29)	Inflation restatement: Non-monetary items	Inflation restatement: Profit or loss	Retrans-lation (YE FX)	Total adjustments	YTD (reported)
Cash flows						
Operating profit before other items	3,800	(48)	51	(32)	(29)	3,771
Depreciation and amortisation	1,344	48	-	(6)	42	1,386
Non-cash items related to hyperinflation	-	-	(51)	-	(51)	(51)
Other cash flow items	(2,117)	-	-	31	31	(2,086)
Cash flow from operating activities	3,027	-	-	(7)	(7)	3,020
Cash flow from investing activities	(363)	-	-	7	7	(356)
Cash flow from financing activities	(853)	-	-	(2)	(2)	(855)
Free cash flow (non-IFRS)	1,608	-	-	8	8	1,616
Financial ratios						
Organic growth (non-IFRS)	7.78%	-	-	-	-	7.78%
Operating margin	4.93%	(0.07)%	0.07%	(0.04)%	(0.04)%	4.89%
Financial position						
Goodwill	15,209	644	-	-	644	15,853
Other intangible assets	1,169	224	-	-	224	1,393
Right-of-use assets and Property, plant and equipment	3,151	85	-	-	85	3,236
Other assets	23,082	-	-	-	-	23,082
Total assets	42,611	953	-	-	953	43,564
Other comprehensive income	12	814	-	-	814	826
Other equity elements	6,123	77	-	-	77	6,200
Total equity	6,135	891	-	-	891	7,026
Deferred tax liabilities	474	62	-	-	62	536
Other liabilities	36,002	-	-	-	-	36,002
Total equity and liabilities	42,611	953	-	-	953	43,564

Financial position

The restatement for inflation increased goodwill by DKK 644 million and Other intangible assets (customer contracts) by DKK 224 million mainly due to restatement of the fair values carried from the acquisition of Rönesans in 2021 and the original acquisition when entering Turkey in 2005.

Right-of-use assets and property, plant and equipment increased (DKK 85 million) based on assumed average useful lives of 3-5 years. As a result, depreciation and amortisation were recalculated, which led to higher costs in profit or loss.

Equity increased by DKK 891 million mainly as a result of the opening restatement of non-monetary items of DKK 814 million and the restatement effect from changes in the price index in 2022.

Cash flows

The impact on consolidated statement of cash flows was insignificant.

7.2 Hyperinflation in Turkey (continued)

Accounting policy

Inflation restatement

Non-monetary items, which are carried at historical cost, such as goodwill, customer contracts, right-ofuse assets, property, plant and equipment and deferred tax, have been restated for the effect of inflation based on changes in the price index for the period from initial recognition to 31 December 2022 or to the date of disposal, where relevant. The restatement was made effective from the time, the items were initially recognised, which was no earlier than 2005, when ISS first entered Turkey through an acquisition.

The restating gain or loss relating to the change in the price index for the reporting period has been recognised in profit or loss under financial income or expenses, except for the tax effect, which has been recognised under income tax. The gain or loss relating to the prior periods has been recognised in other comprehensive income.

Management has assessed whether the restatement of non-monetary items represents an indication of impairment to ensure that the restated amounts do not exceed the recoverable amounts of the assets, see 3.2, Impairment tests.

Monetary items such as receivables, payables, loans and borrowings are not subject to restatement for the effects of inflation as these items already reflect the purchasing power at the reporting date.

Equity includes the opening effect of restating non-monetary items. Further, the restatement effects of inflation based on changes in the price index for the reporting period have been recognised in other comprehensive income with set-off within financial income or expenses in profit or loss.

Profit or loss transactions in the period have been restated to reflect changes in the price index from the time of transaction to the end of the reporting period, with the exception of depreciation and amortisation. The latter have been recalculated based on the inflation-adjusted costs of intangible assets and right-of-use assets and property, plant and equipment. The recalculation has been based on the useful lives of the relevant assets based on the Group’s accounting policy, cf. 2.6, Right-of-use assets and property, plant and equipment.

Cash flow statement Operating profit before other items includes a non-cash effect from the inflation restatement, which has been eliminated in the line Non-cash items related to hyperinflation.

Price index

Restatement for hyperinflation of the financial statements of the Turkish subsidiary was based on the development in the consumer price index provided by the Turkish Statistical Institute. For 2022, the inflation rate in Turkey was 64%.

Retranslation from TRY to DKK

The financial statements of the Turkish subsidiary, including effects of inflation restatement, have been translated into DKK applying the TRY/DKK exchange rate at the reporting date as opposed to the Group’s normal practice of translating the profit or lossusing the exchange rate at the transaction date or an average exchange rate for the month. The TRY/DKK exchange rate decreased from 50.53 at the beginning of 2022 to 37.25 at 31 December 2022. The average TRY/DKK exchange for the reporting period was 43.00.

7.3 Related parties

Parent and ultimate controlling party

The sole shareholder of ISS Global A/S , ISS World Services A/S, has controlling influence in the Group and is wholly owned by ISS A/S (the ultimate parent).

Key management personnel

The Board of Directors (Board) and the Executive Group Management (EGM) of ISS A/S are considered the Group's key management personnel as defined in 6.1, Management remuneration.

Apart from remuneration, including share-based incentive programmes, there were no significant transactions with members of the Board and the EGM in 2022.

7.4 Fees to auditors

(DKKm)	2022	2021
Statutory audit	61	62
Other assurance services	1	-
Tax and VAT advisory services	7	6
Other services	4	8
Total	73	76

Other assurance services comprised work related to the interim financial statements and other assurance services.

Tax and VAT advisory services mainly related to tax compliance services.

Other services comprised among other things work related to acquisitions and divestments, such as financial and tax due diligence.

7.5 Subsequent events

On 6 February 2023, two earthquakes caused large scale devastation and loss of thousands of lives in Turkey and Syria. ISS is one of the largest private employers in Turkey and approximately 4,500 of our placemakers service workplaces for around 100 of our customers, including two hospitals, in the impacted areas of Turkey. Tragically, three of our placemakers were fatally injured, several are in medical treatment and even more suffered loss of immediate family members and housing. Our teams on the ground in Turkey have since the earthquakes focused on ensuring the safety and welfare of our people and customers who are facing unimaginable challenges and devastation.

ISS has not suffered material damage to its assets in Turkey. Furthermore, the impacted areas account for less than 1% of ISS's global activities and the vast majority of our customers' operations continue or will continue after repairs. Consequently, it is management's assessment that the earthquakes will not have a material impact on the results of the Group's operations and financial position in 2023.

Other than set out elsewhere in these consolidated financial statements, we are not aware of events subsequent to 31 December 2022, which are expected to have a material impact on the Group's financial position.

SECTION 8

Basis of preparation

8.1 General accounting policies

The consolidated financial statements of ISS Global A/S for the year ended 31 December 2022 comprise ISS Global A/S and its subsidiaries (collectively, the Group). Significant subsidiaries are listed in 8.4, Group companies.

The 2022 Annual Report for ISS Global A/S was discussed and approved by the Managing Director and the Board of Directors (the Board) on 14 March 2023 and issued for approval at the subsequent annual general meeting on 18 April 2023.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS as adopted by the EU and additional requirements of the Danish Financial Statements Act (class D). In addition, the consolidated financial statements have been prepared in compliance with the IFRSs issued by the IASB.

The consolidated financial statements have been prepared on the basis that the Group will continue to operate as a going concern.

The Group's significant accounting policies and accounting policies related to IAS 1 minimum presentation items are described in the relevant notes to the consolidated financial statements. A list of the notes is shown on p. 32.

All amounts have been rounded to nearest DKK million (DKKm), unless otherwise stated.

Fair value measurement and disclosure

Items are measured at historical cost, except for assets and liabilities held for sale, derivative financial instruments and contingent consideration that have been measured at fair value.

Assets and liabilities measured at fair value are categorised within the fair value hierarchy and disclosed in the relevant notes.

For the purpose of fair value disclosures, management has assessed that the fair values of cash and cash equivalents, trade receivables, contingent consideration, trade payables and other current and non-current financial assets and liabilities approximates their carrying amount largely due to the short-term maturities of these instruments. The fair value of loans and borrowings, including methods and assumptions used to estimate the fair value, are disclosed in 4.2, Loans and borrowings.

Climate-related risks

Management has considered the impact of climate-related risks which did not have a material impact on the estimates and judgements in these consolidated financial statements, including impairment. In addition, it is management's assessment that climate change is not expected to have a significant impact on the Group's going concern assessment, or in the long-term (next five years).

Defining materiality

The consolidated financial statements separately present items that are considered individually significant, or are required under the minimum presentation requirements of IAS 1. In addition, information that is considered material, either individually or in combination with other information, is disclosed.

In determining whether an item is individually significant, or information is material, ISS considers both quantitative and qualitative factors. If the presentation or disclosure could reasonably be expected to influence economic decisions made by primary users, the information is considered material.

Explanatory disclosure notes related to the consolidated financial statements are presented for individually significant items. Where separate presentation of a line item is made solely due to the minimum presentation requirements in IAS 1, no further disclosures are provided in respect of that line item.

8.1 General accounting policies (continued)

Basis of consolidation

The consolidated financial statements comprise ISS Global A/S and entities controlled by ISS Global A/S. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances, income, expenses and cash flow relating to transactions between members of the Group are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The non-controlling interest's share of net profit and equity of subsidiaries, which are not wholly-owned, are included in the Group's net profit and equity, respectively, but disclosed separately. By virtue of agreement certain non-controlling shareholders are only eligible of receiving benefits from their non-controlling interest when ISS as controlling shareholder has received their initial investment and compound interest on such. In such instances the subsidiaries' result and equity are fully allocated to ISS until the point in time where ISS has recognised amounts exceeding their investment including compound interest on such.

A change in ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in Other income and expenses, net. Any investment retained is recognised at fair value on initial recognition.

Foreign currency

The consolidated financial statements are presented in Danish kroner (DKK), which is ISS Global A/S's functional currency. Transactions in currencies other than the functional currency of the respective Group companies are considered transactions denominated in foreign currencies.

On initial recognition, except for companies operating in hyperinflationary environments, these are translated to the respective functional currencies of the Group companies at the exchange rates at the transaction date. Foreign exchange adjustments arising between the exchange rates at the transaction date and at the date of payment are recognised in Financial income or Financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date and at the date of transaction or the exchange rate in the latest financial statements is recognised in Financial income or Financial expenses.

On recognition in the consolidated financial statements of Group companies with a functional currency other than DKK, except for companies operating in hyperinflationary environments, the statements of profit or loss and statements of cash flows are translated at the exchange rates at the transaction date and the statements of financial position are translated at the exchange rates at the reporting date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange adjustments arising on translation of the opening balance of equity of foreign entities at the exchange rates at the reporting date and on translation of the profit or loss statements from the exchange rates at the transaction date to the exchange rates at the reporting date are recognised in other comprehensive income and presented in equity under a separate translation reserve. However, if the foreign entity is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to the non-controlling interest.

Foreign exchange adjustments of balances with foreign entities which are considered part of the investment in the entity are recognised in other comprehensive income and presented in equity under a separate translation reserve.

8.2 Change in accounting policies

From 1 January 2022, the Group has adopted the below standards and interpretations with no significant impact on recognition and measurement:

• Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract.
• Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework.

IAS 29 Financial Reporting in Hyperinflation Economies

Effective 1 January 2022, the Group implemented IAS 29, Financial Reporting in Hyperinflationary Economies, as management considered Turkey as a hyperinflationary environment. Management based its assessment on the cumulative three-year inflation, which exceeded the threshold of 100% in February 2022. As a result, the financial statements of ISS Turkey for 2022 were restated for hyperinflation before the reported amounts were translated to the Group's functional currency, DKK, applying the exchange rate at the reporting date.

Since the Group's functional currency, DKK, is a non-hyperinflationary currency, IAS 29 does not require restatement of comparative figures in the year of implementation. Consequently, comparative figures have not been restated.

The implementation impact and the applied accounting policies are disclosed in 7.2, Hyperinflation in Turkey.

8.3 New accounting regulations

IASB issued amended standards and interpretations, which are not yet mandatory for the consolidated financial statements of the Group at 31 December 2022.

The Group expects to adopt the new standards and interpretations when they become mandatory.

Based on the current business setup and level of activities, none of these standards and interpretations are expected to have a material impact on the recognition and measurement in the consolidated financial statements.

8.4 Group companies

Below the Group's significant subsidiaries and joint ventures are presented per region. Together these are referred to as "Companies within the ISS Group".

Northern Europe

Denmark (ISS A/S's country of domicile)	
ISS Facility Services A/S	100%
ISS Finance B.V.	100%
ISS Global Management A/S	100%
ISS Holding France A/S	100%
ISS Lending A/S	100%
Belgium & Luxembourg	
ISS Catering N.V.	100%
ISS Facility Services N.V.	100%
ISS Facility Services S.A.	100%
Finland	
ISS Palvelut Holding Oy	100%
ISS Palvelut Oy	100%
Suomen Laatutakuu Palvelut Oy	100%
Netherlands	
ISS Building Maintenance Services B.V.	100%
ISS Catering Services B.V.	100%
ISS Holding Nederland B.V.	100%
ISS Integrated Facility Services B.V.	100%
ISS Nederland B.V.	100%
Talentgroep Montaigne Facility Management B.V.	100%
Norway	
ISS Holding AS	100%
ISS Management AS	100%
ISS Facility Services AS	100%
ISS Serveringspartner AS	100%
ISS Service Management AS	100%
Poland	
ISS Facility Services Sp. Z o.o.	100%
ISS World Services Poland Sp. Z.o.o	100%
Sweden	
ISS Facility Services Holding AB	100%
ISS Facility Services AB	100%
ISS Palvelut Holding AB	100%
UK & Ireland	
ISS UK Holding Limited	100%
ISS UK Limited	100%
ISS Facility Services Ltd.	100%
ISS Mediclean Limited	100%
Pegasus Security Holdings Limited	100%
ISS Ireland Ltd.	100%

Central & Southern Europe

Austria	
ISS Austria Holding GmbH	100%
ISS Facility Services GmbH	100%
ISS Ground Services GmbH	51%
France	
GIE ISS Services	100%
ISS Facility Management SAS	100%
ISS Holding Paris SAS	100%
ISS Logistique et Production SAS	100%
Germany	
ISS Automotive Services GmbH	100%
ISS Facility Services Holding GmbH	100%
ISS Integrated Facility Services GmbH	100%
ISS Energy Services GmbH	100%
ISS Communication Services GmbH	100%
Italy	
ISS Facility Services S.r.l.	100%
Portugal	
ISS Tech Portugal, Unipessoal Lda.	100%
Spain	
Integrated Service Solutions, S.L.	100%
ISS Facility Services, S.A.	100%
ISS Soluciones De Seguridad, S.L.	100%
UTE-HOSPITALES S.A.S	65% [1)]
Switzerland	
ISS Facility Services AG	100%
ISS Schweiz AG	100%
Livit FM Services AG	100%
Turkey	
ISS Hazir Yemek Üretim ve Hizmet A.Ş.	50,1% [4)]
ISS Proser Koruma ve Güvenlik Hizmetleri A.Ş.	50,1% [4)]
ISS Tesis Yönetim Hizmetleri A.Ş.	50,1% [4)]
ISS İşletme Hizmetleri A.Ş (Rönesans)	50,1% [4)]
ISS Bitki Bakim ve Hasere Kontrol Hizmetleeri A.Ş.	50,1% [4)]

8.4 Group companies (continued)

Americas

Chile

Apunto Servicios de Alimentacion S.A.	100%
ISS Chile S.A.	100%
ISS Facility Services S.A.	100%
ISS Servicios de Limpieza Mecanizada S.A.	100%
ISS Servicios Generales Ltda.	100%
ISS Servicios Integrales Ltda.	100%

Mexico

ISS Centro América, S. de R.L. de C.V.	100%
ISS Facility Services, S.A. de C.V.	100%

US & Canada

ISS Facility Services Holding, Inc	100%
ISS Management and Finance Co, Inc	100%
ISS Facility Services, Inc (US)	100%
Guckenheimer Enterprises Inc	100%
ISS C&S Building Maintenance Corporation	100%
ISS Facility Services California, Inc	100%
ISS Holding Inc	100%
ISS TMC Services, Inc	100%
ISS Facility Services Inc. (CA)	100%

Asia & Pacific

Australia & New Zealand

ISS Facility Management Pty Limited	100%
ISS Facility Services Australia Limited	100%
ISS Facility Services Pty Ltd.	100%
ISS Health Services Pty Ltd.	100%
ISS Holdings Pty Ltd.	100%
ISS Integrated Services Pty Ltd	100%
ISS Property Services Pty Ltd	100%
ISS Security Pty Ltd	100%
Pacific Invest December 2004 Pty Ltd.	100%
Pacific Service Solutions Pty Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Holdings NZ Ltd.	100%

Asia & Pacific (continued)

China

ISS Facility Services (Shanghai) Ltd.	100%
ISS Hongrun (Shanghai) Cleaning Services Limited	100%
ISS Property Management (Beijing) Co.,Ltd	100%
Shanghai B&A Property Management Co., Ltd.	100%
Shanghai B&A Security Co., Ltd.	100%
Shanghai ISS Catering Management Ltd.	100%

Hong Kong

Hung Fat Cleaning Transportation Co., Ltd.	100%
ISS Adams Secuforce Ltd.	100%
ISS China Holdings Ltd.	100%
ISS China Holdings I Ltd.	100%
ISS EastPoint Properties Ltd.	100%
ISS EastPoint Property Management Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Greater China Ltd.	100%
ISS Hygiene Services (HK) Ltd.	100%
ISS Mediclean (HK) Ltd.	100%
ISS Pan Asia Security Services Ltd.	100%
JSL Ltd.	100%
Silvertech E&M Engineering Co., Ltd.	100%

India

Innovative and Payroll Advisory Services Pvt. Ltd.	46% [2)]
ISS Facility Services India Pvt. Ltd.	100%
ISS SDB Security Services Pvt. Ltd.	46% [2)]
Modern Protection & Investigations Pvt. Ltd.	46% [2)]
ISS Support Services Pvt. Ltd.	100%

Indonesia

PT ISS Facility Services	99%
PT ISS Indonesia	100%
PT ISS Jasa Fasilitas	0% [2)]

Singapore

ISS Asia Pacific Pte. Ltd.	100%
ISS Catering Services Pte. Ltd.	100%
ISS Facility Services Pte. Ltd.	100%
ISS Hydroculture Pte. Ltd.	100%
ISS M&E Pte. Ltd.	100%

Discontinued operations

Brunei [3)]

ISS Facility Services Sdn. Bhd.	50% [2)]

Notes

[1)] Joint venture

[2)] By virtue of the governance structure, the Group has the power to govern the financial and operating policies of the company. Consequently, the company is consolidated as a subsidiary.

[3)] Divested on 9 February 2023.

[4)] Under certain circumstances or events, ISS may be obliged to choose to purchase other shareholders' shareholdings or dispose of its own shareholdings.

8.5 Definitions

ISS uses various key figures, financial ratios and non-financial ratios, all of which provide our stakeholders with useful and necessary information about the Group's financial position, performance, cash flows and development in a consistent way. In relation to managing the business, achieving our strategic goals and ultimately creating value for our shareholders, these measures are considered essential.

In addition, the Group uses alternative performance measures (APMs) to provide stakeholders with additional measures to evaluate and analyse the Group's performance. The APMs are non-IFRS financial measures defined by the Group and thus may not be comparable with measures provided by peers or other companies' measures.

Alternative performance measures

Free cash flow

Cash flow from operating activities – Acq. of intangible assets and property, plant and equipment, net – Acq. of financial assets, net (excl. equity-accounted investees) – Addition of right-of-use assets, net

Organic growth, %

(Revenue current year excl. hyperinflation – Comparable revenue[1] prior year) x 100 / Comparable revenue [1] prior year

Acquisitions are treated as having been integrated with ISS at the acquisition date. Consequently, organic growth includes changes in revenue of such acquisitions compared with expectations at the acquisition date.

Operating margin, %

Operating profit before other items x 100 / Revenue

Total revenue growth, %

(Revenue current year – Revenue prior year) x 100 / Revenue prior year

Financial ratios

Acquisitions, %

Revenue from acquisitions [2] x 100 / Revenue prior year

Currency adjustments

Total revenue growth – Organic growth – Acquisition/divestment growth, net [3]

Divestments, %

Revenue from divestments [4] × 100 / Revenue prior year

Equity ratio, %

Total equity × 100 / Total assets

Net debt

Loans and borrowings – Securities – Cash and cash equivalents – Positive fair value of derivatives

ESG ratios

CO_2 emissions

Scope 1, 2 and 3 emissions calculated in accordance with the Greenhouse Gas Protocol. For further information see the 2022 Sustainability Report pp. 42-43.

Employee turnover, %

Number of employees who left in the year × 100 / Average number of employees for the year

Customer retention, %

Portfolio revenue (annual value) retained at 31 December of the portfolio at 1 January / Portfolio revenue (annual value) at 1 January

Lost Time Injury Frequency (LTIF)

LTIF is a work-related injury preventing a person from working i.e. being unfit for at least a full working day or shift. LTIF is based on 1 million exposure hours including contractors under ISS's operational control

Fatalities

Measures the number of work-related fatalities

[1] Comparable revenue prior year excludes impacts from changes in exchange rates and acquisitions/divestments, net as well as impact from hyperinflation restatement. To arrive at comparable revenue, prior year's revenue is retranslated by applying current year's exchange rates, divestments and impacts from hyperinflation restatements are excluded and estimated impacts from acquisitions are added.

[2] Management's expectations at the acquisition date.

[3] Estimated or actual revenue where available at the divestment date.

[4] Incl. the effect from exclusion of currency effects from the calculation of organic growth and acq./div., net.

[5] AGM = Annual General Meeting

Parent company financial statements

Statement of profit or loss

1 January – 31 December

(DKKm)	Note	2022	2021
Other operating income and expenses, net	3, 4	41	25
Operating profit before other items		41	25
Other income and expenses, net	5	(9)	(52)
Operating profit		32	(27)
Income from subsidiaries and joint ventures	8	21	(22)
Financial income	6	448	547
Financial expenses	6	(698)	(975)
Profit before tax		(197)	(477)
Income tax	7	16	(4)
Net profit		(181)	(481)

Statement of comprehensive income

1 January – 31 December

(DKKm)	2022	2021
Net profit	(181)	(481)
Comprehensive income	(181)	(481)

Statement of cash flows

1 January – 31 December

(DKKm)	Note	2022	2021
Operating profit before other items		41	25
Changes in working capital		27	(84)
Other expenses paid		-	(11)
Interest received from companies within the ISS Group		304	259
Interest received, external		18	3
Interest paid to companies within the ISS Group		(151)	(87)
Interest paid, external		(223)	(284)
Income tax and joint taxation contribution received/(paid), net		37	(1)
Cash flow from operating activities		53	(180)
Payment of earn-out		-	(76)
Capital increase in subsidiaries and joint ventures	8	(2)	(586)
Divestment and liquidation of subsidiaries and joint ventures	8	163	283
Dividends received from subsidiaries and joint ventures	8	937	241
Cash flow from investing activities		1,098	(138)
Repayment of bonds	10	-	(1,577)
Other financial payments, net	10	(133)	(130)
Changes in debt to companies within the ISS Group, net	10	711	2,140
Changes in receivables from companies within the ISS Group, net		(75)	4
Cash flow from financing activities		503	437
Total cash flow		1,654	119
Cash and cash equivalents at 1 January		915	796
Total cash flow		1,654	119
Cash and cash equivalents at 31 December		2,569	915

Statement of financial position

At 31 December

(DKKm)	Note	2022	2021
Assets			
Investments in subsidiaries and joint ventures	8	22,665	22,676
Receivables from companies within the ISS Group		8,075	8,196
Other financial assets		90	118
Deferred tax assets	9	19	12
Non-current assets		30,849	31,002
Receivables from companies within the ISS Group		2,183	2,914
Other receivables		208	180
Cash and cash equivalents		2,569	915
Investments in subsidiaries and joint ventures held for sale	8	14	150
Current assets		4,974	4,159
Total assets		35,823	35,161
Equity and liability			
Equity		9,034	9,215
Loans and borrowings	10	14,194	14,067
Non-current liabilities		14,194	14,067
Loans and borrowings	10	12,355	11,692
Other liabilities		240	187
Current liabilities		12,595	11,879
Total liabilities		26,789	25,946
Total equity and liabilities		35,823	35,161

Statement of changes in equity

1 January – 31 December

(DKKm)	Note	Share capital	Retained earnings	Total
2022				
Equity at 1 January		180	9,035	9,215
Net profit		-	(181)	(181)
Comprehensive income		-	(181)	(181)
Changes in equity		-	(181)	(181)
Equity at 31 December		180	8,854	9,034
2021				
Equity at 1 January		180	9,516	9,696
Net profit		-	(481)	(481)
Comprehensive income		-	(481)	(481)
Changes in equity		-	(481)	(481)
Equity at 31 December		180	9,035	9,215

1 Significant accounting policies

Basis of preparation

The financial statements of ISS Global A/S have been prepared in accordance with IFRS as adopted by the EU and additional requirements of the Danish Financial Statements Act (class D). In addition, the financial statements have been prepared in compliance with the IFRSs issued by the IASB.

Changes in accounting policies

Changes in accounting policies are described in 8.2 to the consolidated financial statements.

Accounting policies

With the exception of the items described below, the accounting policies for ISS Global A/S are identical to the Group's accounting policies, which are described in the notes to the consolidated financial statements.

Income from subsidiaries and joint ventures comprises dividends, impairment losses, reversal of prior years' impairment losses and gains and losses on divestment and liquidation of subsidiaries and joint ventures. Dividends are recognised in the income statement in the financial year in which the dividend is declared. If dividends declared exceed the total comprehensive income for the year, an impairment test is performed.

Investments in subsidiaries and joint ventures are measured at cost, which comprises consideration transferred measured at fair value and any directly attributable transaction costs. If there is indication of impairment, an impairment test is performed as described in the accounting policies in 3.2 to the consolidated financial statements. Where the recoverable amount is lower than the cost, investments are written down to this lower value. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the recoverable amount does not exceed the original cost.

Tax as required by Danish legislation, ISS Global A/S is jointly taxed with all Danish resident subsidiaries. Joint taxation contributions to/from jointly taxed companies are recognised in the income statement in Income tax and in the statement of financial position in Receivables from or Debt to companies within the ISS Group.

Companies which utilise tax losses in other companies pay joint taxation contribution to ISS A/S (the administration company) equivalent to the tax base of the tax losses utilised. Companies whose tax losses are utilised by other companies receive joint taxation contributions from ISS A/S equivalent to the tax base of the tax losses utilised (full absorption).

Derivative financial intruments the Group uses ISS Global A/S as vehicle to enter into derivate financial instruments, i.e. currency swaps and interest rate swaps.

Some of the currency swaps qualify as net investment hedges at Group level, but not in ISS Global A/S. As a result, changes in fair value of such instruments are recognised in Financial income or Financial expenses.

Interest rate swaps qualify as fair value hedges at Group level, but not in ISS Global A/S as the hedged item resides in ISS Finance B.V. (a wholly owned subsidiary of ISS Global A/S). As a result, changes in fair value are recognised in Financial income or Financial expenses.

The fair value of derivative financial instruments is presented in Receivables from companies within the ISS Group or Loans and borrowings.

2 Significant accounting estimates and judgements

Significant accounting estimates and judgements relating to the applied accounting policies for ISS Global A/S are the same as for the Group to the extent of similar accounting items, see section "Estimates and judgements" in the consolidated financial statements for a description. The specific risks for ISS Global A/S are described in the notes to the financial statements of the parent company.

Investments in subsidiaries and joint ventures are tested for impairment when there is an indication that the investments may be impaired. The assessment of whether there is an indication of impairment is based on both external and internal sources of information such as performance of the subsidiaries and joint ventures, significant decline in market values etc.

3 Other operating income and expenses, net

Other operating income and expenses, net mainly comprise procurement bonuses and revaluation of receivables from companies within the ISS Group.

4 Fees to auditors

(DKKm)	2022	2021
Statutory audit	1	1
Other assurance services	0	0
Total	1	1

Other assurance services comprised work related to interim financial statements and other assurance services.

5 Other income and expenses, net

(DKKm)	2022	2021
Other	(9)	(52)
Other expenses	(9)	(52)

Other related to remeasurement of contingent consideration for the acquisition in Turkey in 2021.

6 Financial income and expenses

(DKKm)	2022	2021
Interest income on cash and cash equivalents [1)]	26	10
Interest income from companies within the ISS Group [1)]	307	260
Foreign exchange gains	115	277
Financial income	448	547
Interest expenses on loans and borrowings [1)]	(145)	(210)
Redemption premium, bonds	-	(90)
Forward premiums, currency swaps	(12)	(15)
Fair value adjustments, interest rate swaps	(108)	-
Fair value adjustments, currency swaps	(43)	(191)
Interest expenses to companies within the ISS Group [1)]	(150)	(87)
Amortisation of financing fees (non-cash) [1)]	(22)	(25)
Commitment fee	(43)	(61)
Bank fees	(2)	(9)
Foreign exchange losses	(173)	(287)
Financial expenses	(698)	(975)

[1)] Measurement basis amortised cost.

Interest expenses on loans and borrowings decreased in 2022 due to the partial redemption of EMTNs in December 2021 and lower interest expenses due to an interest rate swap entered into in May 2022.

Redemption premium, bonds related to the repurchase in December 2021 of EUR 200 million of the EMTN bonds maturing in December 2024.

Forward premiums, currency swaps ISS uses currency swaps to hedge the exposure to currency risk primarily arising from intercompany loans.

Fair value adjustments, interest rate swaps related to instruments used for fair value hedging at Group level, but being ineffective hedges in ISS Global A/S.

Fair value adjustments, currency swaps related to instruments used for net investment hedging at Group level, but being ineffective hedges in ISS Global A/S.

Foreign exchange gains and losses mainly related to exchange rate movements on intercompany loans to foreign subsidiaries as well as on external loans and borrowings denominated in currencies other than DKK.

7 Income tax

(DKKm)	2022	2021
Current tax	(2)	4
Deferred tax	(5)	(1)
Other taxes	2	-
Prior year adjustments, net	(11)	1
Income tax	(16)	4

Effective tax rate

In %	2022	2021
Statutory income tax rate in Denmark	22.0 %	22.0 %
Income from subsidiaries and joint ventures	2.3 %	(1.0)%
Non-tax deductible expenses less non-taxable income	(20.8)%	(22.0)%
Other taxes	(1.0)%	0.0 %
Prior year adjustments, net	5.6 %	0.2 %
Effective tax rate	8.1 %	(0.8)%

8 Investments in subsidiaries and joint ventures

	2022		2021	
(DKKm)	Continuing operations	Assets held for sale	Continuing operations	Assets held for sale
Cost at 1 January	31,402	207	30,634	954
Additions [1]	902	-	932	22
Disposals	-	(193)	(355)	(578)
Reclassification to assets held for sale	-	-	191	(191)
Cost at 31 December	32,304	14	31,402	207
Revaluation at 1 January	(8,726)	(57)	(8,446)	(495)
Impairment losses	(1,174)	-	(400)	-
Reversal of prior years' impairment losses	261	-	120	81
Disposals	-	57	-	357
Reclassification to assets held for sale	-	-	-	-
Revaluation at 31 December	(9,639)	-	(8,726)	(57)
Carrying amount at 31 December	22,665	14	22,676	150

[1] In 2022, DKK 900 million was related to non-cash transactions (2021: DKK 368 million).

Additions in 2022, ISS Global A/S made a capital increase in ISS Holding France A/S of DKK 900 million and founded ISS Tech Portugal with a capital contribution of DKK 2 million.

8 Investments in subsidiaries and joint ventures (continued)

Disposals in 2022, ISS Global A/S sold their subsidiaries (assets held for sale) in Russia and Portugal. At 31 December 2022, only Brunei remains classified as assets held sale. The divestment of Brunei was completed 9 February 2023.

Impairment losses the recoverable amount of investments in subsidiaries and joint ventures is determined on the basis of the value-in-use adjusted for net debt. Value-in-use applied in the impairment test is equal to value-in-use established for the Group, see 3.2 to the consolidated financial statements. Subsidiaries classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses recognised in 2022, see below.

(DKKm)	Impairment losses 2022	Recoverable amount	Applied discount rate, net of tax
Investments in subsidiaries and joint ventures (continuing operations)			
France [1]	900	(71)	-
Germany	235	2,719	8.9%
Signal	39	2	-
Impairment losses	1,174		

[1] The French activities are owned through a holding company, ISS Holding France A/S. The recoverable amount is based on the equity at 31 December 2022 in this holding company.

The investment in ISS Holding France was impaired by DKK 900 million mainly as a result of current and prior years' operating losses realised in the underlying French subsidiary. In 2022, a debt conversion of DKK 900 million was made to recapitalise equity. In Germany, the impairment loss was driven by a decrease in the recoverable amount mainly due to a decrease in the net cash position following the payment of restructuring costs related to the Deutsche Telekom contract.

Income from subsidiaries and joint ventures

(DKKm)	2022	2021
Received dividends	937	241
Proceeds from divestment and liquidation of subsidiaries and joint ventures	133	512
Carrying amount of disposed subsidiaries and joint ventures	(136)	(576)
Impairment losses	(1,174)	(400)
Reversal of prior years' impairment losses	261	201
Income from subsidiaries and joint ventures	21	(22)

Reversal of prior years' impairment losses in 2022, losses of DKK 232 million on the investment in the Netherlands were reversed. The Dutch operation continued to deliver in line with the business case and it has been assessed that the increase in the recoverable amount is sustainable. Furthermore, losses of DKK 29 million in ISS Lending A/S were reversed as equity continued to increase in 2022. In 2021, losses of DKK 120 million in ISS Lending A/S, DKK 79 million in Portugal (asset held for sale) and DKK 2 million in Hungary (assets held for sale) were reversed.

Subsidiaries and joint ventures

For a list of significant directly owned subsidiaries and joint ventures, see note 19, Subsidiaries and joint ventures.

9 Deferred tax

Development in deferred tax

(DKKm)	2022	2021
Deferred tax assets/(liabilities) at 1 January	12	10
Prior year adjustments, net	2	1
Tax on profit before tax	5	1
Deferred tax assets at 31 December	**19**	**12**

ISS Global A/S has no recognised or unrecognised deferred tax assets regarding tax losses carried forward.

10 Loans and borrowings

	2022	2021
Issued bonds	10,379	10,369
Bank loans	(9)	(14)
Debt to companies within the ISS Group	16,071	15,389
Derivatives	108	15
Total	**26,549**	**25,759**
Non-current liabilities	14,194	14,067
Current liabilities	12,355	11,692
Loans and borrowings	**26,549**	**25,759**
Cash and cash equivalents and other financial items [1)]	(12,877)	(12,025)
Net debt	**13,672**	**13,734**

[1)] Includes certain receivables from companies within the ISS Group of DKK 10,258 million (2021: DKK 11,110 million) and positive value of currency swaps of DKK 50 million (2021: DKK 0 million). The average interest rate related to receivables from companies within the ISS Group was 4.2% (2021: 2.0%).

Changes in loans and borrowings

(DKKm)	Issued bonds	Debt to companies within the ISS Group	Bank loans and other	Derivatives	31 December
2022					
1 January	10,369	15,389	(14)	15	25,759
Foreign exchange adjustments	-	(29)	-	-	(29)
Cash flows	-	711	(133)	-	578
Fair value adjustments	-	-	43	93	136
Other	10	-	95	-	105
Total	**10,379**	**16,071**	**(9)**	**108**	**26,549**
2021					
1 January	11,847	13,401	(17)	-	25,231
Foreign exchange adjustments	(5)	(152)	-	-	(157)
Cash flows	(1,577)	2,140	(130)	-	433
Fair value adjustments	-	-	186	15	201
Other	104	-	(53)	-	51
Total	**10,369**	**15,389**	**(14)**	**15**	**25,759**

10 Loans and borrowings (continued)

Fair value

The fair value of loans and borrowings amounted to DKK 25,498 million (2021: DKK 26,088 million). The fair value of bonds is based on the quoted market price on the Luxembourg Stock Exchange and measurement is categorised as Level 1 in the fair value hierarchy. For the remaining part of the loans and borrowings fair value is equal to the nominal value as illustrated in note 13, Financial risk management.

Financing fees

At 31 December 2022, accumulated financing fees amounted to DKK 41 million (2021: DKK 56 million). The decrease compared to last year was due to ordinary amortisation, which was recognised in financial expenses, amounting to DKK 22 million (2021: DKK 25 million). No new financing fees were capitalised in 2022.

11 Remuneration to the Board of Directors and the Executive Group Management

Key management personnel of the Group as defined in 6.1 to the consolidated financial statements are also considered key management personnel of the parent.

Remuneration to key management personnel is specified in 6.1 to the consolidated financial statements.

12 Contingent liabilities

Senior facility agreement

ISS Global A/S guarantees the borrowings under the unsecured senior facility agreement.

EMTNs (EUR 500 million) maturing in 2025

ISS Global A/S guarantees the EMTN bonds for a principal amount of EUR 500 million maturing in 2025 issued by ISS Finance B.V., a 100% owned subsidiary.

Parent company guarantees

ISS Global A/S has credit facilities in place totalling DKK 300 million (2021: DKK 300 million) which can be used to issue guarantees for subsidiaries' local bank overdrafts. As per 31 December 2022, DKK 77 million was utilised (2021: DKK 26 million). ISS Global A/S has also issued parent guarantees and performance bonds for various subsidiaries' current and future financial liabilities and obligations under customer contracts and pension liabilities amounting to DKK 6.0 billion (2021: DKK 7.5 billion). Furthermore, ISS Global A/S has issued parent guarantees for various subsidiaries' current and future financial liabilities towards the Group's main car fleet provider.

Withholding taxes

ISS Global A/S is jointly taxed with all Danish resident subsidiaries. ISS Global A/S and the companies within the joint taxation have a joint and unlimited liability of Danish corporate and withholding taxes related to dividends, interests and royalties. As per 31 December 2022 Danish corporate and withholding taxes within the joint taxation amounted to DKK 0 million (2021: DKK 0 million). Any subsequent adjustments to Danish withholding taxes may change this joint and unlimited liability.

VAT

ISS Global A/S and certain Danish Group companies are jointly registered for VAT and are jointly liable for the payment hereof.

13 Financial risk management

ISS Global A/S's financial risks are managed centrally by Group Treasury based on the treasury policy approved by the Board of Directors of ISS A/S. The objectives and policies for measuring and managing exposure to financial risks is described in 4.4 to the consolidated financial statements. The risks specific to ISS Global A/S related to interest rate risk, liquidity risk and currency risks are described below in note 14, 15 and 16, respectively.

Credit risk

At 31 December 2022, the exposure to credit risk related to cash and cash equivalents, loans to companies within the ISS Group and other financial items was DKK 12,877 million (2021: DKK 12,025 million), see note 10, Loans and borrowings. Exposure to credit risk on loans to companies within the ISS Group is managed at Group level. As these loans are controlled by the Group and part of the Group's capital management, expected credit losses are considered to be insignificant.

14 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Exposure relates to bank loans with floating interest rates. ISS Global A/S's exposure towards interest rates is illustrated below, where a breakdown of ISS Global A/S's loans and borrowings in floating and fixed rates is provided. The interest rate exposure to floating interest rates is primarily in EUR.

					2022	2021
(DKKm)	Nominal interest rate	Currency	Year of maturity	Nominal value	Carrying amount	Carrying amount
Issued bonds (fixed interest rate)						
EMTNs (EUR 300 million)	2.125%	EUR	2024	2,231	2,229	2,226
EMTNs (EUR 500 million)	0.875%	EUR	2026	3,718	3,700	3,695
EMTNs (EUR 600 million)	1.500%	EUR	2027	4,462	4,450	4,448
				10,411	10,379	10,369
Bank loans (floating interest rate)						
Bank loans	-	Multi	-	(9)	(9)	(14)
				(9)	(9)	(14)
Intra-group (floating interest rate)						
Debt to companies within the ISS Group	-	Multi	-	16,071	16,071	15,389
				16,071	16,071	15,389

(DKKm)	Negative fair value	Fair value, net	Recognised in profit or loss	Maturity
Fair value hedge				
Interest rate swap	(108)	(108)	(108)	2025

In May 2022, ISS Global A/S entered into an interest rate swap in order to reduce the fixed/floating ratio on the Group's gross debt. A principal amount of EUR 300 million was swapped from a fixed interest rate to a floating rate. On Group level, the interest rate swap qualifies as a fair value hedge, and hedge accounting is applied. However, as the fixed rate bond resides in ISS Finance B.V., the hedge is not effective in ISS Global A/S and the fair value adjustments are recognised in profit or loss.

Interest rate sensitivity

The interest rate risk is measured by the duration of the gross debt (fixed-rate period). As at 31 December 2022, the duration of gross debt was approximately 1.3 years (2021: 1.9 years).

An increase in relevant interest rates of 1%-point would have decreased net profit by DKK 184 million (2021: decreased by DKK 143 million).

The estimate was based on ISS Global A/S's floating rate loans and borrowings, i.e. disregarding cash and cash equivalents, as the level at 31 December is typically the highest in the year and not a representative level for the purpose of this analysis. The analysis assumes that all other variables remain constant.

15 Liquidity risk

Liquidity risk results from ISS Global A/S's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity.

Liquidity reserves

ISS Global A/S's liquidity reserves mainly consist of funds (cash and cash equivalents less not readily available or restricted cash) and unused credit facilities. The level of cash and cash equivalents is typically highest at 31 December and not a representative level for the rest of the year. At 31 December 2022, ISS Global A/S's liquid reserves consisted of readily available liquid funds of DKK 2,569 million (2021: DKK 915 million) and unused revolving credit facilities of DKK 7,276 million (2021: DKK 7,312 million) where the majority is available for drawing until 3 November 2024.

Contractual maturities of financial liabilities

The contractual maturities of financial liabilities, based on undiscounted contractual cash flows, are shown in the table. The undiscounted contractual cash flows include expected interest payments, estimated based on market expectations at 31 December. The risk implied from the values in the maturity table below reflects the one-sided scenario of cash outflows only.

(DKKm)	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
2022								
Issued bonds and bank loans	10,370	10,926	147	2,374	99	3,800	4,506	-
Debt to companies within the ISS Group	16,071	16,241	12,464	46	3,731	-	-	-
Other financial liabilities	249	249	249	-	-	-	-	-
Total financial liabilities	26,690	27,416	12,860	2,420	3,830	3,800	4,506	-
2021								
Issued bonds and bank loans	10,355	11,073	147	147	2,374	99	3,800	4,506
Debt to companies within the ISS Group	15,389	15,602	11,789	46	46	3,721	-	-
Other financial liabilities	96	96	96	-	-	-	-	-
Total financial liabilities	25,840	26,771	12,032	193	2,420	3,820	3,800	4,506

16 Currency risk

Currency risk is the risk that arises from changes in exchange rates and affects ISS Global A/S's result, investment or value of financial instruments.

To a limited extent ISS Global A/S is exposed to currency risk on loans and borrowings (external) that are denominated in currencies other than DKK as well as intercompany loans to foreign subsidiaries as these are typically denominated in the functional currency of the subsidiary.

At 31 December 2022, 84.3% (2021: 83.2%) of ISS Global A/S's loans and borrowings were denominated in EUR or DKK.

16 Currency risk (continued)

Loans and borrowings – foreign currency sensitivity

A change in relevant currencies, with all other variables held constant, would have impacted net profit with the amounts below. The analysis is based on the ISS Group's internal monitoring of currency exposure on loans and borrowings, intercompany loans and cash and cash equivalents.

(DKKm)	Currency exposure (nominal)	Currency swaps (contractual)	Exposure, net	Sensitivity: Increase in FX	Sensitivity: Net profit
2022					
EUR/DKK	(12,469)	7,333	(5,136)	1%	(51)
GBP/DKK	(391)	(857)	(1,249)	10%	(125)
USD/DKK	1,349	(2,226)	(877)	10%	(88)
CHF/DKK	(451)	(302)	(754)	10%	(75)
Other/DKK	(651)	1,029	378	10%	38
Total	(12,613)	4,977	(7,638)		
2021					
EUR/DKK	(14,821)	6,864	(7,957)	1%	(80)
GBP/DKK	(188)	(1,099)	(1,287)	10%	(129)
USD/DKK	1,435	(2,259)	(824)	10%	(82)
CHF/DKK	(935)	218	(717)	10%	(72)
Other/DKK	(691)	827	136	10%	14
Total	(15,200)	4,551	(10,649)		

Currency swaps (designated as net investment hedges at Group level)

ISS Global A/S has entered into certain currency swaps, which are designated net investment hedges at Group level, see note 4.7 to the consolidated financial statements. At Group level changes in the fair value of these derivative financial instruments are recognised in Other comprehensive income. In ISS Global A/S, the hedge is not effective, and consequently the change in fair value is recognised in the Income statement in Financial income or Financial expenses.

17 Related parties

In addition to the description in note 7.3 to the consolidated financial statements of related parties and transactions with these, related parties of ISS Global A/S comprise ISS World Services A/S and its subsidiaries, associates and joint ventures, see 8.4 to the consolidated financial statements.

In 2022, ISS Global A/S had the following transactions with other related parties, which were all made on market terms:

- ISS Global A/S received/paid interest from/to companies within the ISS Group, see note 6, Financial income and expenses.
- Debt to companies within the ISS Group is disclosed in note 10, Loans and borrowings.
- ISS Global A/S's short-term receivable from subsidiaries was DKK 2,183 million (2021: DKK 2,914 million).
- ISS Global A/S paid joint taxation contribution equal to 22% of taxable income to jointly taxed Danish resident subsidiaries.
- ISS Global A/S received dividends in total of DKK 937 million (2021: DKK 241 million) from companies within the ISS Group, see note 8, Investments in subsidiaries and joint ventures.
- ISS Global A/S increased the share capital in two subsidiaries by DKK 902 million (2021: DKK 986 million in seven subsidiaries) and founded one new subsidiary (2021: no new subsidiaries), see note 8, Investments in subsidiaries and joint ventures.

18 New standards and interpretations not yet implemented

New standards and interpretations not yet implemented are described in 8.3 to the consolidated financial statements.

19 Subsidiaries and joint ventures

Directly owned subsidiaries and joint ventures

ISS Facility Services Australia Ltd.	Australia	100%
Pacific Invest December 2004 Pty Ltd.	Australia	100%
ISS Austria Holding GmbH	Austria	100%
ISS N.V.	Belgium	100%
ISS Chile S.A.	Chile	100%
ISS Greater China Ltd.	China	100%
ISS Facility Services A/S	Denmark	100%
ISS Global Management A/S	Denmark	100%
ISS Holding France A/S	Denmark	100%
ISS Lending A/S	Denmark	100%
Signal Arkitekter ApS	Denmark	100%
ISS Palvelut Holding Oy	Finland	100%
ISS Facility Services GmbH	Germany	100%
ISS Facility Services India Pvt. Ltd.	India	100%
PT ISS Indonesia	Indonesia	100%
PT ISS Catering Services	Indonesia	49%
ISS Ireland Holding Limited.	Ireland	100%
ISS Facility Services S.r.l.	Italy	100%
Nihon ISS KK	Japan	100%
ISS Lietuva UAB	Lithuania	100%
ISS Centro América, S de RL de CV	Mexico	100%
ISS Holding Nederland B.V.	Netherlands	100%
ISS Finance B.V.	Netherlands	100%
ISS Holdings NZ Ltd.	New Zealand	100%
ISS Holding AS	Norway	100%
ISS Facility Services Sp. Z.o.o.	Poland	100%
ISS Tech Portugal	Portugal	100%
ISS Asia Pacific Pte. Ltd.	Singapore	100%
ISS Facility Services Pte. Ltd.	Singapore	100%
ISS Facility Services (Pty) Limited	South Africa	100%
Integrated Service Solutions S.L.	Spain	100%
ISS Facility Services Holding AB	Sweden	100%
ISS Holding AG	Switzerland	100%
ISS Tesis Yönetim Hizmetleri A.Ş.	Turkey	50%
ISS UK Holding Limited.	United Kingdom	100%

Directly owned subsidiaries and joint ventures classified as held for sale

ISS Facility Services Sdn. Bhd.	Brunei	100%

Management statement

Copenhagen, 14 March 2023

The Board of Directors and the Managing Director have today discussed and approved the annual report of ISS Global A/S for the financial year 2022.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the Parent company financial statements give a true and fair view of the Group's and the Parent company's financial position at 31 December 2022 and of the results of the Group's and the Parent company's operations and cash flows for the financial year 1 January – 31 December 2022.

In our opinion, the Management review includes a fair review of the development in the Group's and the Parent company's operations and financial conditions, the results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Group and the Parent company face.

In our opinion, the annual report of ISS Global A/S for the financial year 2022 identified as ISS-Global-2022-12-31-en.zip has been prepared, in all material respects, in compliance with the ESEF-regulation.

We recommend that the annual report be approved at the annual general meeting.

Managing Director

Kristoffer Lykke-Olesen

Board of Directors

Jacob Aarup-Andersen
Chair

Kasper Fangel

Corinna Refsgaard

Bjørn Raasteen

Independent auditors' report

To the shareholder of ISS Global A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of ISS Global A/S for the financial year 1 January – 31 December 2022, pp. 32–121, which comprise statement of profit or loss, statement of comprehensive income, statement of cash flows, statement of financial position, statement of changes in equity and notes, including accounting policies for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit and Risk Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014

Appointment of auditor

We were initially appointed as auditor of ISS Global A/S on 1 April 2003. We have been reappointed annually by resolution of the general meeting for a total consecutive period of nineteen years up until the financial year 2022.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2022. These matters were addressed during our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Revenue from contracts with customers, including cut-off and accrual of revenue and onerous contracts

Revenue from contracts is recognised as the services are rendered to the customers. Some contracts require the Group to incur significant transition and mobilisation costs at contract inception which are capitalised and amortised over a multiannual contract term. Accordingly, appropriate cut-off and accrual of revenue and capitalisation and amortisation of transition and mobilisation costs is critical and involve management judgement, especially in relation to the more integrated and complex facility service contracts. Further, the assessment of whether a contract may be considered onerous involves management judgement in making accounting estimates about future contract profitability, including the determination of the total contract revenue, contract period and the unavoidable costs of meeting the obligations under the contract.

Due to the inherent uncertainty involved in the cut off and accrual of revenue, the assessment of whether transition and mobilisation costs meet the criteria to be capitalised and the determination of the contract period and the future contract profitability, including the uncertainty relating to estimating the impact from Covid-19, we considered the accounting for revenue from contracts with customers, including cut-off and accrual of revenue and onerous contracts, to be a key audit matter.

For details on revenue from contracts with customers, transition and mobilisation costs and provisions for onerous contracts, reference is made to notes 1.2, 2.1, 2.2 and 2.5 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others:

- Test on a sample basis of accrued revenue (unbilled receivables) to supporting documentation, including procedures such as: Inspection of proof of work done, review of contracts with customers, comparison of amounts accrued to subsequent invoices and cash receipts.
- Test on a sample basis of capitalised transition and mobilisation costs, including procedures such as: Inspection of proof of costs incurred, review of contracts with customers, evaluation of management's assessment of costs meeting the criteria to be recognised.
- Evaluation of management's process to identify and quantify onerous contracts. Our evaluation included inquiries to local management responsible for carrying out the identification process at country level, review of documentation of management's analysis as well as our own analytical procedures over contract margins.
- Test on a sample of provisions for onerous contracts, including procedures such as: Review of the relevant contract and management's estimate of the future contract revenue and unavoidable cost, assessment of the assumptions applied by management to estimate the future contract revenue including the expected Covid-19 impact, contract term including termination and extension options and unavoidable cost, comparison of the revenue assumptions used to the services and fees specified in the contract, comparison of unavoidable cost assumptions used to underlying cost projections and actual costs incurred historically as well as testing the completeness and accuracy of the underlying cost projections.

Valuation of investments in and receivables from subsidiaries

The carrying amounts of goodwill and customer contracts related to prior years' business combinations comprise a significant part of the consolidated statement of financial position. The cash-generating units in which goodwill and customer contracts are included are impairment tested by Management on an annual basis. The impairment tests are based on Management's estimates of among others future profitability, long-term growth and discount rate. Due to the inherent uncertainty involved in determining the net present value of future cash flows, including the uncertainty relating to estimating the impact from Covid-19, we considered these impairment tests to be a key audit matter.

For details on the impairment tests performed by Management reference is made to notes 3.1 and 3.2 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others, testing the mathematical accuracy of the discounted cash flow model and comparing forecasted profitability to board approved financial forecasts. We evaluated the assumptions and methodologies used in the discounted cash flow model, in particular those relating to the forecasted revenue growth and operating margin, including comparing with historical growth rates and assessed impact of Covid-19. We compared the assumptions applied to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth and discount rates. Further, we evaluated the sensitivity analysis on the key assumptions applied. Our audit procedures primarily focused on cash generating units where likely changes in key assumptions could result in impairment. We further evaluated the adequacy of disclosures provided by Management in the financial statements compared to applicable accounting standards.

Income tax and deferred tax balances

The Group's operations are subject to income taxes in various jurisdictions having different tax legislation. Management makes judgements and estimates in determining the recognition of income taxes and deferred taxes. Given the inherent uncertainty involved in assessing and estimating the income tax and deferred tax balances, including tax exposures and write-down of deferred tax assets and given the uncertainty estimating the impact from Covid-19 on future taxable income, we considered these balances as a key audit matter.

For details on the income tax and deferred tax balances reference is made to notes 5.1 and 5.2 in the consolidated financial statements and notes 5 and 7 in the Parent company financial statements.

In response to the identified risks, our audit procedures included review of tax computations in order to assess the completeness and accuracy of the amounts recognised as income taxes and deferred taxes, as well as assessment of correspondence with tax authorities and evaluation of tax exposures as well as write-down of deferred tax assets. In respect of the deferred tax assets recognised in the statement of financial position, we assessed Management's assumptions as to the probability of recovering the assets through taxable income in future years and available tax planning strategies. We further evaluated the adequacy of disclosures provided by Management compared to applicable accounting standards.

Statement on the Management's review

Management is responsible for the Management's review, pp. 2-31.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on compliance with the ESEF Regulation

As part of our audit of the Consolidated Financial Statements and Parent Company Financial Statements of ISS Global A/S, we performed procedures to express an opinion on whether the annual report of ISS Global A/S for the financial year 1 January – 31 December 2022 with the file name ISS-Global-2022-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements, including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of ISS Global A/S for the financial year 1 January – 31 December 2022 with the file name ISS-Global-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 14 March 2023

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender	Claus Kronbak
State Authorised	State Authorised
Public Accountant	Public Accountant
mne21332	mne28675

Forward looking statement and ESEF

Forward-looking statements

This Annual Report contains forward-looking statements, including, but not limited to, the guidance and expectations provided in Outlook on p. 4. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements.

The words may, will, should, expect, anticipate, believe, estimate, plan, predict, intend or variations of such words, and other statements on matters that are not historical fact or regarding future events or prospects, are forward-looking statements. ISS has based these statements on its current views with respect to future events and financial performance. These views involve risks and uncertainties that may cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of ISS.

Although ISS believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect. Actual results may differ materially. for example as a result of risks related to the facility service industry in general or to ISS in particular, including those described in this report and other information made available by ISS. As a result, you should not rely on these forward-looking statements.

ISS undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

Reporting under the ESEF Regulation

The Group is required to file the Annual Report in the European Single Electronic Format (ESEF) using a combination of the XHTML format and to tag the primary consolidated financial statements using iXBRL (Inline eXtensible Business Language). The Group's iXBRL tags comply with the ESEF taxonomy, which has been developed on the basis of IFRS taxonomy published by the IFRS Foundation. The line items in the consolidated financial statements are tagged to elements in the ESEF taxonomy. For financial line items that are not directly defined in the ESEF taxonomy, an extension to the taxonomy has been created.

ISS has considered the accounting meaning of a taxonomy element when selecting theappropriate block tag for marking up such disclosure, particularly where multiple block tags match a disclosure. As a minimum, ISS has marked-up disclosures included in the consolidated financial statements (including headers) with the elements required (Annex II of the Regulatory Technical Standard on ESEF). If disclosures or information corresponds to more than one element of different levels of details, ISS has used each of them and multi-tagged the disclosure to the extent that corresponds with the underlying accounting meaning of the disclosures.

The Annual Report submitted to the Danish Financial Supervisory Authority (the Officially Appointed Mechanism) is included in the zip file ISS-Global-2022-12-31-en.zip.

ESEF data

Name of reporting entity: ISS Global A/S
Domicile of entity: Denmark
Legal form of entity: A/S
Country of incorporation: Denmark
Address: Buddingevej 197, DK-2860 Søborg
Principal place of business: Global
Principal activities: Workplace and facility service solutions
Name of the parent entity: ISS A/S
Name of ultimate parent og Group: ISS A/S